

REDWOOD VALLEY COUNTY WATER DISTRICT
2370 Webb Ranch Road
Redwood Valley CA 95470
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MINUTES
BOARD OF DIRECTORS

Regular Meeting
Thursday, June 21, 2012

Directors Present: Donald Butow, Jeanette Hallman, Granville Pool, Pamela Ricetti, Jack Spilman

Directors Absent: None

Staff Present: General Manager Bill Koehler

Recording Secretary: Linda Groth

Others Present: Kevin Barns-Utility Services Co., Steven Gardner, Paula Berezay, Liz Markowski,

Tim Hallman, 1 unidentified member of the public

CALL TO ORDER: 7:00 P.M.

1. ROLL CALL.

Pamela Ricetti, Director
Donald Butow, Vice-President
Jack Spilman, Director
Jeanette Hallman, Director
Granville Pool, President

2. HEARING OF COMMENTS OR QUESTIONS FROM THE ATTENDING PUBLIC.

Nothing.

3. CONSIDER HEARING OF URGENT ITEMS RECEIVED SINCE THE AGENDA WAS POSTED.

GM Koehler: Regarding the SRF loan applications, the Board needs to discuss whether to fill out the paperwork or else pass on it for another year. If you pass a Motion to hear the matter, I will provide more details when we discuss the matter later in the Meeting.

MOTION: Hear this matter later in the Meeting.

Butow/Ricetti Discussion CARRIED

AYES: Butow, Ricetti, Hallman, Spilman, Pool
NOES: None
ABSENT: None

Steven Gardner: I have something to discuss later in the Meeting, after everything is wrapped up for the people who are here.

President Pool: Do we need a vote to consider that as well?

Steven Gardner: It's not an action item. I just have some comments to make.

GM Koehler: In that case it would be under Agenda Item #2, Hearing of Comments, but it would be heard later in the Meeting.

Director Butow: And, you have a gentleman here to make a presentation on the Tank Maintenance. I believe you wanted to hear that item first.

GM Koehler: I'd like to do the Tank presentation first and if possible, we could then do the Employee issue second, so they wouldn't have to sit through so much of the Meeting before getting to their Agenda Item.

Director Hallman: I was hoping we could talk about the Budget before discussing a pay increase, just so we could set the Budget to know where we are. Is there any way to discuss the Budget before discussing the pay increase without upsetting people too much?

There was no objection.

4. ACCEPTANCE OF AGENDA.

MOTION: Accept the Agenda as presented and with the amendments of hearing the Tank Maintenance presentation first, then discussing the Budget, and then discussing the Employee Pay before continuing with the rest of the Agenda Items.

Butow/Spilman Discussion CARRIED
AYES: Butow, Spilman, Hallman, Ricetti, Pool
NOES: None
ABSENT: None

5. PERMANENT TANK MAINTENANCE PRESENTATION. (Agenda Item No. 8.H).

Kevin Barnes from Utility Service Company thanked the Board of Directors for their interest in the service his company provides for tank maintenance, and for their time tonight in hearing his presentation. The USC corporate office is based in Georgia however Kevin's local office has been located in Sacramento, California for 7 years and his territory is northern California and also northern Nevada. His firm has been in existence since 1963 and is the largest provider of tank maintenance across the nation, inspecting a little over 8,000 tanks annually. Four years ago the company was bought by a French company, Suez, which is actually the company that built the Suez Canal. It is solid. The California service center is

located near San Bernardino and another service center will be established in northern California.

Kevin discussed a Full Asset Program and provided a detailed slide presentation showing the condition of the interior structure (susceptible to biofilm and organics and corrosion) and also the exterior condition of the District clearwells and tanks. Every other year, the District will be provided with a wash down inspection, likely by a crew coming out and actually draining the tanks, and doing some kind of a chemical cleaning to remove the iron and manganese deposits, etc. If the tanks cannot be drained, maybe they would immerse an ROV (remote operated vehicle) into the tank to do a video; the possible alternative is to bring in a diver to do it. Also, every other year, the tanks would be visually inspected by a NACE (National Association of Corrosion Engineers) Certified Inspector. And emergency services for the tanks, such as inappropriate graffiti, bullet holes, seams weeping, would also be provided by USC at no additional cost to the District

Across the nation, the most common color of tanks is in the range of desert-tan. The District's forest-green tanks probably experience an increase of 15-20 degrees of heat impacting the water stored inside and, under certain conditions, could lead to stratification of that water. His firm (USC) would perform an evaluation and then provide an ongoing maintenance plan that would eliminate any type of risk to the District. The service crews travel with fully stocked vehicles to handle everything from welding repairs to washouts and other emergencies. He further discussed their knowledge of and compliance within the California Codes and guidelines. Kevin stated that the water storage tanks are the largest assets in the District's system; there is a lot of cost and a lot of value to those tanks. The Utility Service Company Full Asset Program would prevent any kind of loss to those assets. A small annual outlay as far as maintenance is going to reduce or eliminate spending a lot of money (capital investments) further down the road. He then provided a detailed account of the complete services in the Full Asset Program and the option to set up payments monthly, quarterly, semiannually or annually. Each tank is contracted individually. The contracted amount is firm for three years. Going into the fourth year, the amount cannot increase above a 5% maximum. For the last 27 years that this plan has been offered, the 4th year increase has been in the range of 3.1% across the country. Also the customer would have accessibility to their records, 24/7. In terms of the Budget, setting up the payment plan allows the District to know exactly how much it is paying each year.

Advantages:

We are locking in "today's" prices: You are giving us an agreement that we will be doing the future work, so we can actually do it at a lesser cost.

Single source responsibility: You are reassigning the risk of all of that tank (or tanks) asset directly to Utility Service Company.

Balanced funding: You know exactly what you are paying. You are building the equity, because those base fees are building money towards future renovations. You'd never have a large capital improvement cost going into the future with USC; it's already being included in the base fee.

RECAP: Evaluation planning, Regulatory compliance (any future Regulatory changes would be made at no additional cost), Bi-annual washout Inspections with detailed report, Emergency services, Indefinite warranty (no surprises), No change-orders, Fixed pricing, Annual visual inspections are performed by NACE qualified engineers (with detailed reports). If the District is eligible for GASB34 (Government Accounting Standards Board, Chapter 34) and going through

any sort of depreciation on those tanks, that would actually free up that revenue into your Budget.

Mr. Barnes agreed to provide the spreadsheets by hardcopy and by email at the request of the Board.

President Pool thanked him for the very interesting presentation. Mr. Barnes was pleased to be here.

Mr. Barnes left the Meeting at 7:45 p.m.

6. BUDGET. (Agenda Item No. 8.M).

GM Koehler: In reviewing the Proposed Budget, on the income side, it had to be an educated-guess for the month of June. On the last page, the Capital is not brought down. What has happened in the past is that we put capital in there and then we started taking it back out again; so this time I thought maybe we could take the opposite approach and see what capital items we could put in and then prioritize them depending on what kind of numbers we've got. If we take the income number and subtract the last line, which is total expenses, out of it, there is \$140,000 left over. If you look at the first page the total income is \$1,059,000 (the revenue total) and after you subtract total expenses, you get \$140,000 that's available for depreciation and capital. Taking out the \$65,000 for meter upgrades, there is still \$200,000 worth of items on that list that we're supposed to pay for with \$140,000. And there's no depreciation.

Director Butow: Basically you're talking about a deficit of \$60,000?

GM Koehler: Depending on how many of these capital items you want to keep.

President Pool: That \$140,000 is carry-over from the current year?

GM Koehler: No, it's just the difference between revenue and expenses projected for next year.

Director Butow: So these are all projected for next year.

GM Koehler: What I'm saying is, I didn't put any capital into this budget at all. There is no capital and there is no depreciation, so the difference between what we're showing is \$140,000 that we have, to assign to capital and to depreciation. Right now we have a list that's \$200,000 long for potential, so under this particular revenue being generated we cannot fund all these capital items and we cannot fund depreciation.

President Pool: Unless we somehow increase revenue.

GM Koehler: Yes. Unless we somehow increase revenue.

President Pool: I seem to recall that the Budget Committee did discuss such a possibility?

GM Koehler: That is correct. So, what I did to generate the approximate numbers is: a \$5.00 increase in the monthly base rate which would generate an additional \$80,000 per year. Also,

at current production, if we increase the cost per 1000 gallons by \$0.50 that would generate around \$80,000.

Director Butow: The list of capital items shows the School Way Bridge at \$100,000, but the projected cost is at least \$250,000.

GM Koehler: The reason for that is because the work is scheduled to start in June of next year, so in reality the bulk of the cost will fall in the following fiscal year.

Director Hallman: So this \$100,000 that you show here is for the prep work?

GM Koehler: I felt that we needed to have something in there. It might not get spent the first year; it depends upon where we fall into their schedule.

President Pool: So you are pointing out that if it's not spent in this coming year, it will be spent in the following year.

GM Koehler: Yes, that's my exact thinking. Rau & Associates is going to try to work up a tighter figure. Steven and I did talk about asking him to look into the possibility that there would be a cost savings by using welded hdpe high density polyethylene pipe as opposed to ductile iron. It may or may not, as htpc is also not cheap. The stuff does not leak, and it has some flexibility. Then you also have to be concerned about friction points. So, this is why we use Engineers.

President Pool: It sounds like it's prudent to look at an alternative.

GM Koehler: Yes; the engineer is thinking this could be closer to \$300,000 by the time we're done.

Director Hallman: Okay, now, this meter upgrade, is this the \$65,000 for the ag meters?

GM Koehler: Every bit is for the ag meters. And that number also changed, effective yesterday, in that I was contacted by Sonoma and they informed me that I would be receiving the Draft of the Surplus Agreement shortly and, before they make it official, they want to see the money transferred into the account. That's about \$90,000 in addition to the \$47,000 that's already there, of which we have already spent about \$20,000.

Director Hallman: So they are putting the money in with the \$47,000 and then they will send it to us?

GM Koehler: The money?..or, the contract?

Director Hallman: Well, both.

GM Koehler: Well, the money never goes into Sonoma County. It goes into the Conservation Account here in Mendocino County. It's actually a County of Mendocino account. And then we get permission from the Committee that's here in Mendocino County consisting of Carmel Angelo, Supervisor Carre Brown and myself. We make a recommendation to Sonoma; Sonoma presumably rubber-stamps it and sends it back and says, Go spend the money.

Director Hallman: Okay. So they actually haven't told you to spend the money yet, they are just having us put more money in.

GM Koehler: Correct.

Director Hallman: I just wanted to make sure I understood that, because at our last meeting when we said that Sonoma was going to pay for the ag meters, you said you would not buy the ag meters until you had the money in your hands.

GM Koehler: That is correct. All I'm saying on that \$65,000 is, if that number managed to get bigger we would have enough money to replace more meters. We do have some other obligations. We have the flow meter with Flood Control, and we also want to get the reimbursement monies of about \$20,000 or so that we have already spent. That's something that I will be working on with Carmel and Carre, to put together that particular list. They have verbally assured me that they will rubber-stamp what the District wants. I would hope, since the ag meters don't read effectively below 80 gpm, that they would be replaced with ag meters that read with 90% accuracy at 6 gpm.

Director Spilman: Why is this in the budget if it's not actually coming out of the proposed budget?

GM Koehler: The line-item is there to bring your attention to it but it's not in the budget. That's why I did not add it in to the \$200,000.

Director Butow: It's money that we have to pay Sonoma anyway for the water. It's just that due to our Agreement, it's sitting there until they tell us what to do.

Director Hallman: Is there money set aside for the IW&PC war chest?

GM Koehler: No, there are several optional items that have been set aside and are not in this report because we cannot fund everything we want to do. But, in addition to the meter upgrade, I did include the things that I did think were possibly the most important; and one of those is a valve exercise machine. Also I just received another ding from the Bureau. The Bureau of Reclamation puts out an Annual Punch List because they are carrying the loan. An annual valve exercising program has been on their Punch List for some time because the District remains their asset. Then there is the chemical vault. And if you look under Water Treatment Plant Upgrade, that particular \$30,000 is actually for chemical storage tanks. During our most recent hazardous Material and Business Plan Inspection by the County, they put in a line-item that they want double-wall tanks for all chemical storage. We have only one tank out of our four that is a double-walled tank.

Director Butow: So we have three more to get. Now, the tank mixing is necessary? It is something that we should do?

GM Koehler: Tank mixing is very important. Kevin's presentation spoke of a concern about biofilm which is a bacteria that can grow in the presence of chlorine, and actually the maximum contaminate level is 5000 colony-forming-units per milliliter of water, so you can rest assured that there is a tremendous amount of bacteria in drinking water, it's just that it's not harmful. It's there, it's teeming with life. The California Department of Health feels that they've got a pretty good handle on the quality of water as it leaves the treatment plants, so now CDPH is focusing

on what is happening to it in the distribution system, both in the pipes and in the tanks. They are looking harder and harder at those things.

President Pool: Meaning what?

GM Koehler: Meaning, Do you have money to run your system? Do you have the proper management to run the system? Do you have the technology to be producing good water? Especially in the smaller systems.

President Pool: When you talk about their concern about 'Do you have money to run your system', I assume you mean 'on an ongoing basis'. Does that mean that they are taking a hard and critical look at your program for adequate capital funding and depreciation?

GM Koehler: It's part of their review. And the reason is that historically, what especially the smaller systems have done in the past is, their management allows that system to go into violation and then their system suddenly moves up in the tier of eligibility for grants and loans. That's kind of the opposite way that a water business should be run. You should not be in violation. So at this point CDPH is saying that grants and loans are going to become harder to get in the future so you better have your financial act in order.

President Pool: Back to the issue of tank mixing and stratification, I'd like to hear your comment about what he said about the paint color and how much that change might improve that situation.

GM Koehler: Well on the Road B Tank, the guys did some inside work, and it's too hot and very difficult to be inside that tank past 10 a.m. or 11 a.m. On the North Tank we've done some monitoring and we know there is some stratification going on in there. So there is a dramatic difference between the tan tanks and the dark green tanks.

Director Ricetti: So the tank mixing device is a mechanical mixing device?

GM Koehler: Yes, a solar-powered mechanical mixing device.

Director Butow: Every one of these capital expense items that we've talked about in the past have been items that you've said 'have been put off for too many years'. Now that we're looking at the budget, what do you see that just must be done now? For instance, is the SCADA system falling apart and we won't be able to use it in 6 months?

GM Koehler: Actually a lot of that money is in 'radios'. Currently our radios that are supposed to communicate from tank to tank and the office, do not work. We don't have the ability to communicate with the lake pump.

Director Butow: How do you run it?

GM Koehler: Well, Steven drives out to the lake pump a lot.

President Pool: So it sounds like a justified priority.

GM Koehler: We are engaged in the process. Steven has already installed solar at the site, so we're powered up. We've got a tentative schedule for Meyer Control to come here and attend to the Punch List items.

Director Butow: So this money is already in the process of being spent.

GM Koehler: Some of it has already been spent.

President Pool: So what does this \$20,000 consist of?

GM Koehler: We definitely need to do some upgrades on the SCADA (Supervisory Control And Data Acquisition) system here; this is basically the automation. Steven, I believe we came up with the majority of this being mostly for the radios?

Steven Gardner: The majority of it is finishing all the little bits and pieces that don't work. We need a new computer for the new provisions that bounce the signal from the lake pump station off the southwest tank and the treatment plant. And now we have the situation that somebody installed a cell tower around here that interfered with all of our radio signals. So we're probably going to have to change our radios out completely. Possibly not, but it is looking logical.

Further discussion followed. GM Koehler explained that Meyer Control Corp (MCC) is the company that does all our control and SCADA work. They will be very involved in the process. All of the punch list items are included in the \$20,000 on the Proposed Budget.

President Pool: Okay, so, the \$10,000 control valve?

GM Koehler: Another one of the things they have to do on a regular basis is to isolate the tanks so that the tanks are forced to draw down, otherwise we end up with stagnant water. And again, the issue of aging of water, the longer it ages, the more disinfectant byproducts you end up with.

The control valve would more automatically allow for the system to be isolated and be forced to draw down.

President Pool: So it's a valve that makes them all draw down?

GM Koehler: Well it locks these tanks out of the system. So, it is a valve.

President Pool: And you don't have a valve that does that now?

GM Koehler: We have to do it manually.

Steven Gardner: The idea is to put in an automatic valve that we can control through the SCADA system, so that when the system tanks fill up we can tell it to automatically close that valve. And once the tanks get down to a certain level, it will automatically open the valve. That would relieve us from having to come out, drive up to the clearwell, shut the valve and then come back to the plant and then drive up to the clearwell and open the valve. Right now it usually takes about 12 hours, but sometimes you get called out in the middle of the night and you have to come and open it or close it. Then you have to do a backwash. So it will remove a little bit of the time we spend doing it, but mainly it will make it a lot more efficient.

Director Spilman: How many times a year do you do this?

Steven Gardner: How many times a week. Right now the tank mixing is pretty irrelevant in our tanks. We don't need it because as soon as they fill up, we drain them. And that's the way we operate. The reason we operate like that is, even with mixing, we still couldn't maintain the chlorine residuals in the tank, so we would still have to do it. Right now we usually allow the clearwell to fill just so we can get a good backwash, and then we shut the valve. It takes about 3-4 days to fill the tanks and then it will draw down. Like tonight, I will go up there and shut the valve when I leave, and then tomorrow morning when I come in I will do the backwash and then open the valve. So it will draw down overnight.

Director Spilman: What you're just telling me right now, is, the \$20,000 for the tank mixing isn't needed.

GM Koehler: I disagree with that. It is what he just said, but I disagree.

Steven Gardner: We continue to mix the tanks because the draw down of the tanks and then the filling of the tanks creates a turbulence in the tanks. When we're operating them like we have to operate them, they are always mixing.

Director Hallman: So in your view it is a better value to have the control valve versus the mixing.

Steven Gardner: Yes.

GM Koehler: The chart of the measurements that we have done on the north tank indicate that the tank is stratifying. It has definite thermocline's. That's why I don't necessarily agree with what Steven is saying; I think that's helping it a tremendous amount, but the other issue that I am concerned about is that CDPH, again, is on a tank-mixing jag. And at some point, if we continue to have stratification, especially if we ever do have residual or water quality issues, they are going to demand tank mixing in addition to what we are doing. I think ultimately we need to do both.

Director Hallman: I'm just curious, how much to coat the tank? I didn't get that from the earlier presentation.

GM Koehler: Unfortunately, I've asked two other companies and neither one has managed to get here yet to give me estimates on the tank coating. But from past experience, that's a half-a-million-gallon tank, so \$100,000-\$150,000. That's in and out.

Director Spilman: How much just for the outside?

GM Koehler: I don't have a firm figure but it is something that is capable of being done in-house. As far as a discussion of the tank, it is not a food grade product, it's paint.

Director Spilman: So in-house, you could paint the green tanks and eliminate a lot of the thermal elements?

GM Koehler: We have discussed doing that, yes.

Director Spilman: And that could be done?

GM Koehler: We would start with Road B. That's the smallest tank, and we would see how it goes.

President Pool: And if you have the automated valve, it sounds like that would free up a bit of staff time.

GM Koehler: I think that it's important. I do think that the way that we were going to look at staging, the tank mixing itself is, yes, if we can get the automatic valve and then we could get some lighter color, that would be the time to re-evaluate whether, indeed, we're still getting the same degree of stratification and therefore possibly eliminate some mechanical mixing. I am personally not real excited about mechanical mixing. I would prefer not to go that route.

President Pool: So what would you want to do then?

GM Koehler: If the coating and the isolation valve improves the situation, we would continue to monitor the tanks and possibly do nothing. Perhaps that alone might take care of the problem.

President Pool: It sounds like the tank mixing is not a high priority because we want to get these other things done first, and see how badly we might need a mixer.

Tim Hallman: Can the painting be put out to bid? It sounds like you guys are pretty busy already.

Director Ricetti: There would be a lot of prep work.

Steven Gardner: We can't remove the coating from the outside of the tanks. Well, we can, but we're not going to.

GM Koehler: They all have lead in the primer. We want to encapsulate it.

Director Butow: Okay, next. The chemical vault.

GM Koehler: I want to get rid of the confined space. I want to get the flow alarms for the chemical injection points up out of the ground. Right now they are below ground in the vault. That's where most of the coagulants are injected into the water and mixed, just before the clarifiers.

Steven Gardner: If you think about it, this last year because of the lifespan of the electronics, just in materials alone I've probably spent around \$4,000 in replacement of parts that failed just due to being flooded and I can't tell you what I spent in labor. It was a lot.

Director Hallman: That was budgeted for last year and it didn't get done. Can you get to it if it's budgeted again this year?

GM Koehler: I hope so. Part of the issue is 'staging'. There are times of the year when we just can't have that system down for a day. So we have to carefully plan when we are going to do it. It is fairly high on the list of things to get done.

President Pool: Okay. Mention once again why the \$30,000 on the water treatment plant upgrade.

GM Koehler: That would be the double-wall storage tanks for the chemical storage, as mandated by Environmental Health. It would also combine to an unknown degree, some location changes. Right now it's not very efficient to have those two tanks over there and these two tanks over here, and the truck drivers have to snake their hoses under the fence to get to these two tanks. Since the double-wall tank is itself a secondary containment, there will be no requirement for any other walls. We might also relocate our generator when the tanks are relocated.

President Pool: So now, the valve exercising machine. It was in last year's budget at \$20,000 and not done, and now you have put it in at \$10,000. What's the difference?

GM Koehler: I did some more research on the machine itself, and I found one available that would be adequate for our needs, for right around \$10,000. It's a tow-along.

Director Spilman: Can you rent one of those machines?

GM Koehler: Not locally.

Director Spilman: How long would it take to test all your valves, using this machine?

GM Koehler: We don't know on the first round, because so many of them haven't been exercised for so long that it may take actually running them up and down quite a few times to qualify as exercise. After we make sure all of the valves work, we would start a flushing program. We would most likely focus on doing all this during the winter with a two-person crew.

The Board of Directors suggested that GM Koehler check with the City of Ukiah to find out if they have a valve exercising machine and if they are willing to work out an agreement to share the equipment.

Director Ricetti: You mentioned that the valve exercising is something the Bureau of Reclamation wants us to do.

GM Koehler: Yes, it's on their punch list, and it has been for the past 5 years. When I completed the Bureau report, I indicated that I would talk to the Board and see if we can get a machine and get that program in place. So, I will talk to the City. Keep in mind that equipment with moving parts is not always easily loaned.

Director Butow: The disadvantage of borrowing the machine is, if we break it on our stuck valves, we end up buying a new one for Ukiah and we still don't have one for Redwood.

Director Hallman: I'm sorry, this is another one that was budgeted last year, but it was put off.

GM Koehler: We just didn't get to it.

President Pool: So what happened to the money that was budgeted for it?

GM Koehler: It's still in the bank. And you will notice we essentially have the same amount of money in the bank as we did last year, and as we did the year before. So essentially we are just, for lack of a better phrase, 'treading water'.

Director Butow: So this money is a carry-over from last year?

GM Koehler: The \$140,000 that we're talking about is not a carry-over from last year. That's a balance of capital items.

Both the EPA and CDPH recommend that 17%-20% of your gross revenue should be depreciation, and that's what GASB34 also recommends. It's a lot of money, there is no question about it. At the same time, if you view our tanks as a consumable product, and at the end of 30 years, well right now, if we needed to replace all of our tanks, you can figure roughly a dollar a gallon. And we have roughly 1.85 million gallons.

Director Hallman: There was one other thing I wanted to address on the budget. We've lowered down to \$5,000 in legal. If we have to go to license, we are going to need more than \$5,000 in our legal budget, and if we have to fight to keep things the way they are, we'll need more than \$5,000 in that legal budget. That is a big concern to me because \$5,000 is a couple meetings with an attorney these days.

GM Koehler: It's not intended to address going to license, in any shape, form or fashion.

Director Hallman: No, but looking at what I have here in the packet, it looks like we're going to have more in legal fees this year.

GM Koehler: I'm not convinced of that. Are you referring specifically to the State Water Board?

Director Hallman: Yes.

GM Koehler: It would be fine to segue into that because it is part of the budget function, but essentially what legal counsel is saying is, You can forget going to license. And legal says if we push the issue of going to license, we would be able to go to license on only 500 acre-feet. Period. Their recommendation is actually to just leave it alone, lie low.

Director Butow: So we could just let this thing slide.

President Pool: But in order to do that, we need the Time Extension.

GM Koehler: We can't get a Time Extension; we don't have a project.

Director Butow: So they're going to cancel the storage issue, right?

GM Koehler: If we push them, they will tell us to go to license. And we will go to license on 500 acre-feet.

President Pool: But what happens regarding the Place of Use issues that were sort of settled but they're tied to the Time Extension?

GM Koehler: Legal recommends be quiet, lie low and see if you can slide by for enough years that maybe you get another project, or you need something, or you figure out where you're

going. But legal suggests that if we go to them saying we need the Time Extension in order to hang on to the 2800 so we can put it in storage, and we think that the ultimate long term solution is getting some water from somewhere else, then their response to that is going to be, Then why do you need this water?

Director Butow: Such as a merger with Russian River Flood, for example. The whole dynamic would change in regard to where our water is coming from, and actually, who we are. If we no longer exist as Redwood Valley County Water District we wouldn't care about the 2800 and whatnot.

Director Ricetti: In that case would the 2800 acre-feet then go to a merged entity?

GM Koehler: Don't know.

President Pool: To be determined.

Director Butow: Just speaking from our ad hoc, it occurs to me that if our dynamic changes such as we become another entity by merging, now you've got a lot more power than poor little Redwood Valley sitting over here in the corner. Now all of a sudden we are solving problems on the Russian River that they had wanted for years.

GM Koehler: The worst case scenario is that they come in and cancel the application for the Time Extension and then act on the Place of Use. They agree that it's complete; also we have in writing from them, that there is no CEQA. We also have in writing from them, that all the maps are done and those are really the issues that they wanted. They have all the documentation, they have the Meets and Bounds for the five annexations. For all practical purposes, it's done. That's why we got into the time extension issue.

President Pool: But all those issues that are documented as resolved, the one issue that is not resolved that relates to the Time Extension, is the question of whose water we are serving to those annexations. Right?

GM Koehler: That is correct.

President Pool: So what happens to that?

GM Koehler: I think the same happens that has happened the last three years. The first couple of years we received Cease & Desist Orders from them. I responded, and the attorney for the Redwood Valley Rancheria responded, basically asking them, Do you really want to take on Indian Health? the Department of the Interior? The Department of Public Health? Also they really backed off when we threw away that \$50,000 on the well, because it documented that there really is no other source, there is no place we can go.

Director Ricetti: And while we're caught up with our Moratorium, we don't have the ability to sell more water, to use it.

GM Koehler: Yes, and a fair amount is specifically designated to go to storage. There are actually three components to our water right: There is direct diversion for frost protection. There is direct diversion for human consumption or potable. Then there is storage. All of those three together, have limits. The cumulative limit is greater than 4,900 acre-feet. We are limited

to 4,900 as the max. We can do some combination of those three, but we have no storage. During direct diversion, the most we have ever diverted under our own water right is 440.

Director Butow: Because it is seasonal.

GM Koehler: It's November through April but only when Guerneville is flooded. It's not really that bad; the lake has to be above the conservation pool and it has to be a spilling lake and it has to measure at least 150 cubic feet per second near Hopland.

President Pool: The question that occurs to me and it seems that I've not yet heard answered is: Supposing that we suddenly had storage for the 2800 acre-feet. Given the restrictions on our pumping under the Right, how much of that 2800 acre-feet could we actually use even if we had storage? Has that been sized up?

GM Koehler: Probably not all of it.

Director Butow: This topic came up when we were looking at some acreage for sale some time back.

GM Koehler: Yes, it's like 60 days of solid pumping, which we don't do. We try to avoid pumping during peak pricing hours, so if we were only pumping at night we would pretty much need to pump for a lot longer. And at least now with the combination air valve replacing the surge tank, we could run three pumps but we would lose some efficiency. I could sit down with the calculator and give you a better answer as to how many hours of pumping we are talking about.

President Pool: So if we wanted it badly enough to pay the peak rates and to run three pumps and have less efficiency and all that, we could perhaps use all the 2800 acre-feet?

GM Koehler: Let's see, we get 7 hours to purchase 15 acre-feet. That's with running 2 pumps. That would take 186 days.

President Pool: And we have 60 days?

GM Koehler: Well we have in theory, 6 months. But in the five years that I've been here, there were a couple of years when we actually had 0 days where the conditions were met.

President Pool: The conditions under that particular Right.

GM Koehler: Yes. Unfortunately we have a relatively useless Water Right. That's just for us. If it were in combination with somebody else, I mean that is part of this discussion that's been going on for a couple of years now.

President Pool: Right. But it would have to be allowed to be gotten out of there some way besides our pump, right?

GM Koehler: One of the concepts has been that that water that goes to storage. We have discussed in the past that we don't want to get involved with storage being in individually owned ponds. You know, it's possible that this is, indeed, a useless water right.

President Pool: Even to a combined District?

GM Koehler: Well if all the water could be called direct diversion for potable, then maybe there is some value there that maybe all the other Districts that are serving potable water could pump under that Right and thereby preserve their own Right which may or may not have a seasonal limitation. If their Rights are strictly volumetric, then that would be protecting them. This is why legal advises just being quiet.

President Pool: Just try to sweep it back under the rug in other words.

GM Koehler: Yes. And if indeed there is some sort of combination later, again, worst case scenario they jerk the Right, and we don't go to license even on the 500 and we reapply. Because it is extremely unlikely that anybody upstream of us is going to apply for that water right.

President Pool: Well just for a moment let's explore that notion that we lose it and then we reapply. Can we realistically apply for it to have more sane conditions or do we have to reapply for exactly what it is?

GM Koehler: I would assume that we would still be restricted to a spilling lake. The other limiting factor might well be a different cubic-foot-per-second flow because of the changes in the D1610 which by definition are going to be 25 cfs lower. That's another thing, if their target is 125 cfs in the river instead of 150, we may never see 150 cfs except during serious rain events. I had a long conversation about this with legal, and the \$5000 on the proposed Budget is for that kind of consultation; it definitely is not spent for going to license.

Director Hallman: That's not a lot for legal; it's really not. Last year was uncommonly low for us.

GM Koehler: And we hope to keep it that way.

President Pool: We hope that an uncommon year becomes more common.

GM Koehler: I would prefer that; I don't like spending money on attorneys.

Director Hallman: Now my next question, Item 5223.

GM Koehler: This chemical isn't ordered every year, and if we upsize our storage tanks we will be able to receive a whole truckload at each delivery.

Director Hallman: Okay. There is not an election cost that was budgeted in either, but it's very realistic that we will have an election cost.

Director Butow: I believe that would be in the 2013/2014 budget, not this year.

Director Ricetti: In something that I was reading earlier, did you say water can be diverted for frost protection but it cannot be diverted for irrigation?

GM Koehler: March 1st through April 30th is direct diverting for frost. November 1st to April 30th is direct diversion for domestic. November 1st to April 30th is storage, so that's the water that in

theory would be used for irrigation in the summer, which we don't have. We buy that water from somebody else. The 8,000 acre-feet that Flood Control controls has no seasonality to it and no restrictions on the river. Obviously the State Water Board could come in like they did three years ago and say, You will take only half (because of the extremely dry year). The Endangered Species Act is what is driving this whole thing. But all of that adds up to more than 4900 acre-feet; the max in any combination of all of those is 4900.

Director Hallman: What is Item 5350?

GM Koehler: We have some ongoing costs which are not capital improvements. We do have a telemetering license. We pay an annual fee to keep our software.

President Pool: What's budgeted for Payroll expenses taking into account the proposed pay increases and continuing that on?

GM Koehler: Well the intent was that the gross payroll wouldn't change; it was just being redistributed.

President Pool: Right. This number is slightly lower than what was budgeted for last year.

GM Koehler: Well it was budgeted for last year but this is based on what was spent last year. So it's more than what was spent but it's less than what was budgeted. That really is all I can do for a projection on there, is just assume that it's going to be roughly the same number. We didn't spend as much as we had budgeted, but I don't want to bring it all the way back down to what we did spend. I wanted to leave a little bit of wiggle room in it.

Director Hallman: In your proposal there is still no retirement.

GM Koehler: I have no control over retirement, whatsoever. So it's difficult for me, I'm not comfortable demanding a commitment to retire or not retire from paying into the fund.

Director Hallman: No, and I'm not saying they should. But it is a potential liability to the District if everybody decides to pay into retirement and we haven't budgeted for it.

GM Koehler: I could figure what the max-out is for all employees and put that number in there. It is a big number.

Director Hallman: I think it needs to be taken into account.

President Pool: There is some amount of that happening, right? This figure reflects what would be occurring if the current figures continue to occur as they are.

GM Koehler: Yes. If everybody did decide to max out retirement, it would be an additional approximate \$40,000.

Director Hallman: Which isn't budgeted. To be honest with you, I do hope we max out our retirement. I would love to see everybody take advantage of that.

Liz Markowski: We can't afford to.

Director Hallman: It's a potential liability, is what I'm saying and it's not addressed.

GM Koehler further explained to the Directors how he came up the figures in some of the smaller categories and it seemed logical to the Directors.

President Pool: It speaks to the fact that a Budget is a projection that is not an exact science.

President Pool, continued: Back to the capital expenses, when we talked the last time about the condition and age of the small trucks that we have, and there is nothing proposed in here but I'd like to hear again what that does to us if we don't get, say, at least one new truck.

GM Koehler: They just seem to keep running.

President Pool: And in planning for new trucks, you can forget about the Ford Ranger's. They are no longer being produced.

GM Koehler: Yes I am aware of that.

Director Spilman: How many years of payments are left on the newest truck that you have?

GM Koehler: I think it was purchased in 2010 with a 4-year contract.

Director Butow: So that one's in good shape, the big 1-ton is in good shape, then we've got how many of the old Ford Rangers?

GM Koehler: Well the new one is a Ford Ranger that we've had for two years and then we have the three old ones. The old one we use as a dirt hauler still runs.

Director Hallman: So we have the five trucks and then your vehicle.

GM Koehler: Yes.

President Pool: If we were to get a tandem-axle dump trailer as we've often discussed, to what extent do you think that would help to prolong the life of the small trucks, if at all.

GM Koehler: What do you think Steven?

Steven Gardner: We've assigned Truck 2 for just hauling dirt. We put the air bags on it. Basically, it gets so little use it will probably run for a long time to come. And if we get anything, we would replace one of the other two trucks. And then Truck 3 would become our dirt-hauler. We would put the air bags on it and run it into the ground. We ruled out Truck 2 a long time ago because with all the damage to it was just too expensive, so it's not even considered one of the trucks that we drive. So having a dump trailer really wouldn't change anything. The only thing the dump trailer would change would be the labor in man hours.

Director Spilman: It would be easier to unload.

Director Hallman: I'm just curious, how much are we paying for insurance on Truck 2?

GM Koehler: I don't believe it would actually change the dollar amount, to pull a truck off our insurance package. The majority of the insurance cost is on the buildings themselves, buildings and equipment.

Director Butow: Yes but your liability would be at least \$500 a year I would imagine.

GM Koehler: More than that, but I don't have the itemized breakdown.

Director Hallman: The thing is, if we're not using it (interrupted)

Steven Gardner: If we got the trailer, it would be more money (interrupted)

(several talking at same time)

Director Butow: Well what I was looking for was if we were going to acquire a new vehicle, it seems a dump trailer is something to think about.

GM Koehler: I'm in agreement with Steven on that one; I'm not sure it would really change the dynamic all that much. It would be more convenient and save some labor and be a more proper use for equipment than the official dirt-hauler.

President Pool: But it occurs to me that if every time you're using the dump trailer instead of that dirt-hauler, you're hauling it with the same truck which not only costs more to run, but it shortens its life.

Director Butow: Yes, but it's also safer.

Director Spilman: It has proper power, proper weight, the load ratio.

GM Koehler: At \$90 per day, we will probably rent it.

Director Hallman: And how much is it to buy?

GM Koehler: \$10,000.

Steven Gardner: That's not the same one that we would rent though, because they only rent the small ones. They are more for residential use, and they physically can only handle 2-3,000 pounds, which is not much more than our truck can haul. And we usually end up shoveling them out by hand because the hydraulics on them don't work very well.

President Pool: Well it sounded good.

GM Koehler: And continuing, there is a chance that the School Way Bridge project will not affect us during this coming Fiscal Year because at this point they are talking about starting in June. It's impossible for me to conceive a huge expense going into our pipe portion of it, because they are going to build the box sections of the bridge first, and then put the pipe into it afterwards.

President Pool: So you are saying if we take the \$40,000 out of the \$100,000, then we have a balanced budget except that we have no set-aside for depreciation of capital, again.

GM Koehler: Again. And in addition to the issue that Jeanette raised in terms of going to license, if our alternate route to getting water is to buy some from Sonoma, but then, we don't have money set aside for that either.

Director Hallman: And we don't have money set aside for IW&PC, and then the possibility of legal expenses with Dr. Benrazavi.

President Pool: You did make a point there, on the legal fee issue, that's one place I could see it.

GM Koehler: The only place to take it from is to keep nibbling away at the School Way Bridge project.

Director Pool: Well no, it's not the only place to take it from because we did talk about the possible increase in the base rate of the domestic water. And I think that makes a lot more sense, as where we're short is capital and depreciation. That should be something that if the base rate is not enough to cover that, and it would seem that it's not, then that is the place that makes a lot more sense to have a small increase, than in the usage rates. It also is something that is more predictable because you know how many hook-ups you have and how much you are going to get from it.

Director Butow: Right.

GM Koehler: The other semi-capital item that's not in here at all is this transmission main inspection.

President Pool: Right, and in reading what I managed to read of Dickerson's report, that's the kind of thing that is common to small systems, and that's where we're eating up capital and we're not budgeting long-term.

Director Butow: Right, because we do have repairs to make. The system is 30-35 years old, this has been what we've talked about as long as I've been on the Board but particularly since Darin came on. He was faced with spending money to fix things that were broken down or weren't working right. And what we end up doing is, Oh gee we're doing fine, we don't have to raise rates, isn't that neat, because we balanced the budget. We balanced the budget but, hey, we've got enough money coming in to do what we're doing but not anything extra. Then all of a sudden the extra shows up on the horizon - (overtalk-unable to transcribe)

President Pool: That's the thing: realistically, it's not extra. That's the point. We have to take care of our system and plan for it to last.

Director Butow: Right, exactly.

President Pool: If we were going to sign up for this tank maintenance program we'd need to have a whole lot more money, but realistically whether we do that or not, we need that money to be there because we're going to have to keep fixing the tanks and eventually replace them if we don't do that program.

GM Koehler: It's always something. That's why I drew that number out there on the budget item, each \$5.00 increase in the base rate generates about \$80,000.

President Pool: Well that's not much.

Director Butow: So if we did a \$10 increase (several speaking at once)

GM Koehler: That would be \$160,000.

Director Butow: And if we did a \$15, it would be \$240,000. That would bring in what we need, right?

Director Ricetti: You mentioned last month about how our base rates stack up to other water districts.

GM Koehler: We are actually pretty cheap.

Director Ricetti: I think that's the way we should go.

GM Koehler: There are a few systems that charge less than \$10. Our neighbors to the east have two of the most expensive systems.

Director Ricetti: You mean Lake County?

GM Koehler: Yes. At Lower Lake, 8,000 gallons monthly usage = \$128 vs RVCWD which is \$61. Again, that is for a customer who uses 8,000 gallons. Lower Lake just stuck their heads in the sand for way too long and then suddenly, wham.

President Pool: That's what the Dickerson Report says that small systems do. They don't want to raise their rates and if they can seem to get by, they let it slide. But it keeps stacking up.

GM Koehler: Fixed rates in California for the meter availability fee, without usage, range from \$10 - \$40.

Director Spilman: What is our base rate?

GM Koehler: \$10 per meter.

President Pool: How long has it been that?

GM Koehler: There was a shift made away from a higher figure that did include water. This happened before I came on board.

Paula Berezay: Our last rate increase was in 2010.

Director Spilman: Where do I get \$17.50 from? Why is that?

Paula Berezay: That is a very old rate from way back. After that it was \$22.40 which still allowed the 8,000 gallons usage, and that \$22.40 is a very old rate, too.

Steven Gardner: What year was that, when Darin suggested the Board change the structure to a separate meter charge?

Director Butow: Well Bill has been here 5 years so it was before that.

Director Ricetti: So people that have a meter but aren't taking any water are paying \$10?

GM Koehler: Our base fee with no water usage is \$10. Those folks in my opinion are getting off too cheap because we have to maintain the ability to provide the water to them if they should start using their water.

Director Ricetti: Oh of course.

Director Spilman: What would the theory be for moving away from the meter charge and not putting any water with it so that (unable to understand – cannot transcribe)

GM Koehler: I wasn't here when it happened but the general reasoning for charging separately for actual usage is because that will pay for the production of water. The money that goes to pay for the meter fee is your capital.

President Pool: So the question is, just looking at capital, if you add up all our meter fees how close are they to covering capital including depreciation?

GM Koehler: Well, let's see, that's \$162,000.

President Pool: Is that the number of meters or number of allocations?

GM Koehler: Well, let's take The Meadows Mobile Home Park for example, they pay 68 x \$10, so that's \$168.00 a month.

Director Butow: So, we're looking at an additional \$10 getting us \$160,000 right?

GM Koehler: Yes.

Director Butow: An additional \$15 would get us \$240,000, would that not get us the additional cushion we would need for capital reserves?

GM Koehler: It would sure go a long way toward it.

Director Butow: You know, Jeanette is right, we've gone a long time without having set aside a fund for these things that come down the road.

GM Koehler: If we do a low end of the projection, it would be that 17-20% of your gross should be set aside; and 17% of \$1.2 million is \$200,000.

Director Butow: So we'd be right in there. Right now we're just barely making it. If it wasn't for the School Way Bridge project, we might be in a little better shape, but not much.

GM Koehler: And there's always something right around the corner.

Director Hallman: There's another surge tank overflow, there's another this, another that, there's always something.

Director Ricetti: Right, and there's the tanks.

Director Butow: There's always something that has to be repaired some day by somebody for some price.

Director Ricetti: And I'm sure that the cost of these programs from this fellow, well the worse your tanks are, the more it's going to cost. The more time you let go by, the more rust you have, the worse things get.

GM Koehler: And I think he was actually being a little optimistic about the repairs on the one clarifier (meant clearwell), too. I think that he thinks he's going to be able to hold them together with paint.

Director Ricetti: But they would have to take care of it, right?

GM Koehler: Yes.

Director Butow: Ok, we've looked at the budget, now we should be looking at how to meet the budget and how to do it responsibly. And if people do decide to use more water won't that be grand, but based on the usage that we see now, it seems to be pretty flat. If we get a nasty dry spring, and colder with freezes, the ag water usage will increase, but that doesn't pay for domestic.

GM Koehler: There's not a lot of margin in ag water.

Director Butow: And if we get our new ag meters, we will be recouping our unrecorded water loses that we've had forever. Bill, what do you figure that is?

GM Koehler: Non-revenue water is at least 15%.

Director Butow: But we are paying for that water to either Russian River Flood or Sonoma County.

President Pool: But even when we replace all of those ag meters so that we eliminate those loses, that's not going to be all of our 15% loss.

GM Koehler: I don't know.

Director Butow: You're going to get some evaporation.

GM Koehler: Well, that I calculated out. I used the evaporation numbers from the Army Corps; they publish those on a regular basis, and even exaggerating that number based upon the fact that this is shallower and we might get more evaporation out of it etc., etc., we're still looking at maybe 28 acre-feet a year, based on the evaporation numbers that are published for Lake Mendocino.

Director Butow: It looks like we need to go forward with a \$15.00 increase in the base meter fee.

Director Spilman: I think we're still in a very hard economy and I think that's really radical.

(Several people spoke at once.)

Director Butow: Well, here we go again. We don't want to raise rates because it might offend the (not finished)

Director Spilman: It's not offending. We've got a lot of people that are unemployed still (not finished)

Director Hallman: We've got a lot of people who, yes, I think the community is in hard times still.

(Several people spoke at once.)

GM Koehler: These are the small systems that, as I've said, they go out of compliance and they get penalized by DPH.

Director Ricetti: What are we going to do if we don't raise it and then, can we still deliver water and be broke? Do we just keep dipping into all of our money? What do we do? It's awful, I agree, but what do we do?

Director Spilman: You've survived for several years like this, and very well.

President Pool: No. Not very well.

GM Koehler: I would recommend that the Board peruse at least the short version of John Dickerson's analysis. You can find it on the Flood Control's website.

President Pool: The short version doesn't really tell you anything; it's just a bunch of platitudes.

GM Koehler: The address is www.rffc.net and down towards the bottom, there are two documents. One is the Ukiah Valley Sanitation District; John Dickerson's is kind of an outgrowth of the Sanitation report; it's a Municipal Service Revue which is a 70-75 page document. And in fact, if you read the Financial that you are being asked to approve tonight, you will see exactly the same thing. What we're doing is, we are losing ground.

Director Ricetti: That's like going backwards big-time. This is our customer's system too; it's not like it's us against them or anything. It's their system that needs to be maintained.

President Pool: And it's our responsibility to maintain their system for them over the long term, and it can't be done out of thin air. I'm certainly very much in favor of at least a \$5.00 increase.

Director Spilman: Well a \$5.00 per month increase is a lot better than \$15.00 a month.

President Pool: It is a lot different. It's a start towards something that's every year. It's better than what we're doing, I wouldn't see \$10.00 a month as too hideous.

Director Hallman: It's not something that we have no control of either. You raise their water rates, they cut back. You do this, they have to pay it.

Director Butow: I think we've reached the point where they have already cut back just as far as they're going to cut back. You brought it up Jeanette, two or three meetings ago that we've got to raise this, we've got to have this service, we've got to have this.

Director Hallman: I never said anything about raising rates. I was talking about cutting things. You're the one that keeps saying we have to increase rates.

(Several people speaking at once.)

President Pool: There are actually two separate things we're discussing. Because if you talk about a rate increase, you're talking about doing Prop 218 Hearings and that takes time. And you can't say for certain that that's going to happen and you can't say how much and when. So, to what extent can you put it into this budget? But even if you do this as a balance budget, which we are required to do, and you figure that we need to do a rate increase on the base rate or whatever we're going to do, if we get that done half way through the budget year and it helps build up our reserves, it doesn't necessarily mean we need to budget anything extra in here. But we can start building up the reserves which we want, and must, and need to do.

Director Hallman: You know, I have always been for building up our reserves. When we did our last increase I thought we were supposed to set 10% aside; that's how I understood it when we did it, and that never happened.

GM Koehler: We didn't make the money. It was couched in very conditional language because we also knew we were entering a very unknown period. And yes, absolutely, the EPA and the CDPH numbers are that 17%-20% is what they want to see. But right now what I can do, getting back to your point, if I take out the tank mixing and adjust the School Way Bridge Project down, it's for all practical purposes a balanced budget with no reserves being put aside. Then we go into the next phase which is determining how much of a rate increase and how fast do you want that rate increase to occur. Say you ultimately do decide it's going to be \$15.00. You could pay that in over three years: \$5.00, \$10.00, \$15.00.

Director Butow: I was reading about one of the utility district's that did that, they just phased it in.

President Pool: You could do one set of Hearings for a phase, and a rate increase.

GM Koehler: That is correct. That is actually quite common.

President Pool: It's the way to keep from having to do it three times.

GM Koehler: And again, that is the decision the Board made when we did the last rate increase, was that we're going to see how this works and let it ride, and not build in an automatic increase. That was a conscious decision by the Board.

Director Butow: Yes, I remember that. So, now, do we agree to take those two items out and declare this budget as balanced for the time being and then we can get back to this rate increase?

Director Spilman: We have the meter upgrades that have to be taken out.

GM Koehler: That is correct. The meter upgrades come out of our bank account into the Conservation Fund bank account, and then it gets spent on meters. It is not in the budget, per se.

Director Spilman: It's not in this budget.

GM Koehler: It's not in this budget, nor is the \$20,000 for tank mixing. And then the \$100,000 for the School Way Bridge Project will be tweaked to bring it back into balance.

President Pool: In other words it's changed to \$60,000.

Director Hallman: Yes, we're taking \$40,000 out of it.

Director Ricetti: Yes.

President Pool: It sounds like we need a Motion to pass the budget.

MOTION: We pass the budget as amended.

Ricetti/Butow Discussion

Director Spilman: We have one other question before we go any further.

President Pool: Okay.

Director Spilman: We have \$10,000 into the valve exercise machine, and we were going to see if that could be amended.

GM Koehler: Let's leave it in if we could, for now. I will call Lyle at the City of Ukiah and see if the City would consider loaning it out.

Director Spilman: You could call the manufacturer and find out if they would rent one.

GM Koehler: Okay, I can do that too. I'll call the City first and see if they would consider.

After a couple of other suggestions, GM Koehler said he would also contact USA Bluebook and Pace.

President Pool: We have a Motion and a Second. All those in Favor?

AYES: Ricetti, Butow, Hallman, Spilman, Pool

NOES: None

ABSENT: None

The Motion Carried.

7. CONSIDER HEARING OF URGENT ITEMS RECEIVED SINCE THE AGENDA WAS POSTED.

(Agenda Item No. 3).

GM Koehler: I have received the renewal paperwork for the two SRF loan applications, one for the RV off-stream storage for \$4,000,000 and the other one for the RV well construction for \$3,500,000. Most of the loan applications ranging from categories A-G are being funded. Ours is category E. The deadline to respond is July 13 and if there is no response received, the applications die. The last couple of years we have been putting these applications on hold and I wonder if you would prefer to put them on hold again this year? It would take me just a couple of minutes to do the paperwork that would put it on hold for another year. The complete application would have to be produced by October 11, 2012. The construction funding application would have to be completed by January, 2013.

President Pool: What do we gain by putting it on hold? We'd get in the same situation if and when we decide to use it. We'd have to have move heaven and earth and wave magic wands to meet their requirements, so, is it realistic? Can anyone actually do that?

After a general discussion the consensus of the Board is to have GM Koehler submit the one year extension and also place this item on the Agenda at a future Meeting so the Board will have more time to discuss what they want to do the following year.

8. G.M. REPORT, PAY INCREASE. (Agenda Item No. 8.L.)

Director Hallman: I am really really really disappointed in, once again the lack of numbers that impact on retirement, the lack of workers' comp for overtime. We are still over what the magic number is.

GM Koehler: The workers' comp for overtime is a complicated formula that isn't very much money because the bulk of the workers' comp is the 9.58% on the base salaries. Then there is this weird schedule that has a number of different prices for the others, it doesn't add up to a whole lot of money. Let's see, the additional cost of workers' comp insurance on the full time employees is \$1714.00. That's a real number. That's $\$9.58 \times 2080 \text{ hrs} \times$ (sentence interrupted)

Director Hallman: Yes that's the real number but we're still missing a part of the equation. You have your number based off of what you've taken out, and so it's still kind of a fictitious number.

GM Koehler: I disagree. It's the marginal difference, because the other number is already there, the other number has already been paid. The portion of the workers' comp that is not based on the raise is already included in our budget. So it's not changing. This is indicating the change, which is what I'm trying to do. Obviously we don't pay \$1714.00 for 2 persons workers' comp; it's considerably more than that, but it's already included in the budget. This is the marginal cost; this is the change in the cost. Really, the shift is that it went from a rate at 1.14% to a rate of 9.58%, so there's actually a little bit more in there because the 1.14% went away. It's so little money that it's really not worth hassling over. So the difference is, how much of this piece of money is impacted by the workers' comp rate which is $9.58\% \times 2080 \text{ hrs} \times 2 \text{ people} \times \4.30 .

Director Ricetti: Now is the \$4.30 including payroll taxes?

GM Koehler: No it isn't. It's 6.2 for FICA and 1.45 for FUTA.

Director Ricetti: Is it including UI?

GM Koehler: Those are all based on payroll, which does not change.

Director Spilman: Here's the problem with this. We are over here talking about rates and budget on the one hand, and we're over here looking at temporary, stop-gap raises of 20% and 30%.

Director Hallman: When everybody else is cutting (interrupted)

GM Koehler: What I was told to do two months ago was to divide up this pot. So I think the discussion should be whether the pot is correctly divided up or not.

Director Spilman: Well this is the discussion now, and you can't tell me what to discuss.

GM Koehler: Nope, I can't, you're right.

Director Hallman: And can I also say, that did not go to a vote. That was a conversation and Oh gee golly, that sounds pretty good. Another problem with this is, if you give Liz the same pay increase that you are giving Paula, Liz is getting a 35% pay increase and Paula is getting a 21% pay increase and she has more responsibilities and she's been here longer.

Director Ricetti: Right.

GM Koehler: And Liz has been more poorly paid to start with. So, yes, I've played around with a lot of those numbers and actually, in my opinion this is as workable as it's going to get. Anything else, it starts turning miserable.

Director Hallman: As I said, I am really really really unhappy with your numbers, to say the least. What I would do, and there are some flaws with these numbers that I have produced, and there is one more thing where I need some clarification: On the agenda last month, Operator 1 was at \$15, on this agenda he is at \$14.50, which is it?

GM Koehler: That's fine. I'm trying to fine-tune this to the extent that I can, and I also put the 7% back in that was the PERS that I had taken out, to reflect a more 'apples to apples'. It's a document in progress, so it's going to change. Obviously, 20-cents is coming out because it went from a \$4.50 raise to a \$4.30 raise.

Director Hallman: Does Operator 1 make \$14.50 or \$15?

GM Koehler: He doesn't make either one.

Director Hallman: What does Operator 1 make right now? Because I asked for what they made at the last two meetings and you said, take \$4.50 off of everybody except Operator 1.

GM Koehler: Yes, I think it's \$2.00 off him.

Director Hallman: So he does have a raise in here.

GM Koehler: No. He does not, he has a maybe raise. This is where I would like to see him go, but he's not getting any raise until he passes his certification.

Director Hallman: How long has he been here?

GM Koehler: Maybe eight months? And he's waiting for the test results on his certification.

Director Hallman: So, Operator 2. According to the Agenda Item last month vs. this month, he either makes \$15.68 or \$15.13. Which?

GM Koehler: I will have to go roust that stuff out. Basically, you take \$4.30 out of each of those.

Director Hallman: Well I took \$4.50 off the one like I was supposed to and it came to \$15.68 and I took \$4.30 off the number this time and it came to \$16.13.

GM Koehler: I'll have to look.

Director Hallman: Okay, \$20.85 for Operator 3, is that accurate? That's the same number on both pieces of paper.

GM Koehler: Yes.

Director Hallman: It's \$12.00 for Liz and \$20.00 for Paula. Are those accurate?

Paula Berezay: Liz is at \$12.50.

Director Hallman: Okay, so that was also not correct. So these numbers I have are not perfect because I didn't have the perfect numbers to work with, but this is what I would really really like to see: These people have been here for three Meetings. They deserve a raise, nobody is disputing that. What I would like to do, is go back the four years and give them the 5.8% cost-of-living increase and then I would also like to compound that and give them the 3.9% cost of living increase for the four employees that we were discussing. So that puts Operator 1 either at \$17.19 or \$17.68 whatever his rate is because it's different on these two papers, Operator 3 at \$22.85, Clerical is \$13.50 and Administrator for the Office at \$21.92. That's just a cost-of-living. That's what I would like to start with, and there have been two people that have had their titles changed drastically: Operator 3 and Paula. I do not have a good number for Paula's increase because I didn't have anything to compare it to. But the average difference between an Operator 1 to an Operator 2 on the numbers that Bill gave us, the average difference is \$1.41. The average difference between an Operator 2 and Operator 3 is \$2.50; it was \$2.98 on the numbers that Bill gave, I actually used some other numbers from similar systems, so it's \$2.50. I don't have a good number for Paula's increase but I would recommend, and my numbers are not that far off from Bill's, but with these numbers there is a percentage. Everybody gets a percentage based on their original pay. It's not an arbitrary, hey, let's divide this up folks. Because, like I said, if you do that, you're giving one person a 35% pay increase and another, 25%. I don't see, well it's 5.8%, and I compounded it, so it's 5.8% and 3.6%, that

works out to a little less than 10%. And then, what I would like to see, is I would like to see Operator 3 get the \$22.85 plus the additional \$2.50 an hour for the operator increase in work, and I would like to see Paula get \$2.00 an hour more for her increase in work and everything else. And then, what I would like to see, is an actual Wage Study with tiers, merit increases and what those merit increases are, because, even if our T-2 gets a T-3, we don't need two T-3's. We don't need to pay two T-3's, so we need to have that figured out before that situation happens. I think that makes sense.

President Pool: Well, a flaw in that idea is you're saying that we don't need to have two T-3's. If one gets that higher certification and you're not paying him as a T-3, he would likely go somewhere else, and if the T-3 that we have, leaves, we don't have the other T-3 as a back up.

Director Hallman: Can you imagine what our payroll would be if we're paying three T-3's?

Director Butow: You are getting blindsided by payroll. But what you're also getting blindsided by is the need to be operating the plant and to encourage those boys to go as far as they can go so that we have more valuable employees. When we've got two T-3's and you say we don't need them, that is not this Board's decision. That's the Manager's decision, as to whether we can utilize two T-3's or, Ok guy, you just got your T-3, now you're fired. Now I've got to go find a T-2.

Director Hallman: That's not what I'm saying, though, not even close. I'm saying that if we have three T-3's (sentenced left unfinished)

Director Butow: You don't want to pay them. So anyway (sentenced interrupted)

Director Hallman: Okay. The \$7.19 is the correct rate for the Operator 2. I could actually hand everyone this worksheet but like I said, the numbers are flawed because of what I was given.

President Pool: Well then there is no point in seeing them.

Director Butow: What we have to vote on tonight is, what are we going to give these folks? Are we going to give them what Jeanette wants to do or are we going to do what Bill wants to do or (not finished)

Director Hallman: If we give what Bill wants to do we are going over that magical number. And again, if we do what Bill wants to do, that's 35% for Liz , roughly 30% for Operator 2, it's 21% for Paula and even less for Operator 3.

Liz Markowski: Well Jeanette, I make less money than the new guy. The new guy. He hasn't had any certification, he's brand new, he makes more than me. And you're suggesting that I get \$1.00 an hour after four years with no increase. At \$12.50 an hour, I've been here 8 years and you're saying that (interrupted)

Director Hallman: I actually took this figure off of \$12.00 and I'll have to take it off of \$12.50 so that will have to be corrected.

Liz Markowski: I feel that's actually a slap in the face.

President Pool: That's what it sounds like to me, too.

Director Spilman: The problem is that we are fighting for money all the way along the board, and we are short on the budget (interrupted)

Liz Markowski: But we were told we would have that amount of money to spend.

Paula Berezay: It's always been this way. When I had been here 18 years I was only making \$11.00 an hour. Eighteen years. Every year there are hard decisions to make, but the employees should earn a respectable wage for their work and commitment. I've put in a lot of time, and every year it's, well we've got this and this, and School Way, and the lawsuit. There is always going to be something. Does that mean we're just going to be put at the bottom of the list forever? I can't work here like this.

Director Spilman: How do we justify (interrupted)

Liz Markowski: I'll tell you how you can justify: You can keep your employees.

Paula Berezay: Right.

Liz Markowski: You can give them raises and treat them the way (unfinished sentence) You know, morale is down right now.

Director Spilman: And then justify a 30% raise increase in this economy, and then turn around and then want to raise (interrupted)

Paula Berezay: We haven't gotten a raise in four years and (interrupted)

Director Spilman: There are a lot of people that haven't gotten a raise, right? A 30% raise in this economy isn't going to do it.

Paula Berezay: I was promoted to Office Manager six months ago when Linda left. In addition to that I still do the Financials and everything else. I have a larger workload with that promotion and I'm still receiving the same pay that I've had for more than 4 years. A promotion, and the same pay. I'm not earning anywhere near what Linda made, and that is not right.

Steven Gardner: We're getting a little off subject; none of us are here looking for raises. We don't want the raise, we want comparable pay to the other District's around here. San Luis Obispo is apples and oranges. If you are going to put that amount of time and energy into a document, take the time to research the District's around here that actually are comparable, because we have done the comparisons and they are all considerably higher than us.

Director Hallman: What I am proposing would put you at over \$25.00 an hour. It puts you at \$25.35 and if you look at Operator 3 for Brooktrails, that would be Step 2. Millview, it's not even on there.

Director Ricetti: That's more than Bill proposed.

Director Hallman continued: Ukiah, I was going to say, the numbers are not far off from what Bill proposed for higher-ups. And again Liz' numbers definitely need to be reworked but I had her down at \$12.00 an hour.

Steven Gardner: It's the way you're going about it, that's the thing. Nobody here wants a raise, we (interrupted)

Liz Markowski and Paula Berezay: Oh yes we do.

Steven Gardner: No, we want a comparable wage to what everybody else is doing. And that would be comparing it to the other District's around here.

Director Hallman: Okay, comparable wage. You want some numbers, this is for Mendocino County for office (interrupted)

Steven Gardner: We discussed this in the last meeting. It is still apples and oranges, because the way they delegate, structurally it's a lot different.

Director Butow: That's right.

Steven Gardner: Comparable wage means that you look at a comparable District with comparable complexity.

Director Hallman: And what I'm suggesting is that you guys get a cost of living with a Rate Study, because Bill's numbers don't work.

Steven Gardner: Bill's numbers, the calculations are not right and they were not done fully, but actually, if you're just stamping something in, they are pretty close. As a simple alternative, it actually works, it's functional.

Director Hallman: I disagree. His math is wrong. The thing is, we could give this back to Bill again.

GM Koehler: I don't want to get it again. I want you to come up with a decision and stick with it (interrupted)

Director Butow: Tonight's the night. Figure it out, what you're going to do; I'm not going out of here tonight without this thing resolved.

Director Spilman: What do you suggest?

Director Butow: I'm suggesting that we take Bill's figures that we've got. What she's trying to do is coming up with some really skewed numbers that Liz gets \$1.00 an hour rate increase and somebody else gets \$15 bucks. Come on now.

Director Spilman: Where are you coming from? You're just throwing numbers out there.

Director Butow: So is she. I'm just saying, the way it came out, Liz would get \$1.00 an hour.

Director Ricetti: The unfair part of it, Jeanette, is that Liz is starting at such a low number that when she gets a percentage of that, well, she should have been higher up a long time ago.

Director Hallman: And I understand.

(several speaking at same time)

Liz Markowski: What you're saying is that 35% is astronomical for someone like me.

Director Spilman: It's not that it's astronomical, it's that we're in a budget constraint right now. If you go down and tell somebody that we just gave one employee a 35% rate increase and that we are going to raise the rates, how is that going to make this Board look?

President Pool: I'm prepared to defend that, because it's been clear to me a long time that Liz, particularly, is drastically underpaid. And again with Paula, her responsibilities have increased and she was already underpaid because she already had a lot of responsibilities.

Director Hallman: And with the cost of living and the \$2.00 an hour that I proposed it's \$23.92 versus Bill's \$24.30. It's not much difference, but the numbers are justifiable numbers. It's a cost of living increase and \$2.00 an hour for merit increase. And, I'm asking for a Rate Study. If you would like to give Liz more money, I don't actually have a problem with that, folks, but what I'm saying is 35% versus 21% when someone else has been here longer and has more responsibilities. And the thing is, I could be as absolutely nice as possible about this and say, Yeah, sure, do whatever. But then we're going to come back and we're going to start talking furlough days again. It's what we did at the last budget meeting, and the one before that. And now I'm going to get back to Bill, because in the Minutes I said that if you really let this slide, the office hours being so inflated, that we needed to have a conversation. I would like to have a Closed Session about our Manager at the next Meeting.

(several speaking at once)

GM Koehler: It's no problem about an evaluation, but I don't understand what you are referring to.

Director Hallman: What I'm talking about is this \$45,000 that went on for two years, that (interrupted)

GM Koehler: That's your fault. That's the Board's fault. That person does not work for me, that person works at the Will of the Board.

Director Hallman: You're the Manager.

GM Koehler: California Water Code specifically says that that person works at the Will of the Board.

President Pool: And therefore, it is the Board's decision.

GM Koehler: I brought that Code into this Board on at least two occasions, and said, this person works for you, this person does not work for me. My option is to fire Liz. I can't fire Linda. Linda does not work for me, she works for you. So if there is a fault, you wear it.

Director Hallman: Fine, I will, but it should have happened way (interrupted)

GM Koehler: Absolutely. However the fact that it didn't, is not my fault.

President Pool: That is correct.

Director Hallman: That's fine; I will take that. But there are still a few other things that need to be discussed (sentence not completed)

GM Koehler: You want to do a Closed Session, let's do a Closed Session. I've got no problem with that, it's something that should happen on a regular basis. I've got no beef with that whatsoever. But that other issue was not mine, that was yours.

Director Hallman continued: like employee reviews (interrupted)

Director Butow: Enough of that. Are we going to do this raise increase or not? Or are we going to hear a bitch session?

Director Spilman: Wait wait wait. Now that's just rude.

Director Butow: No, because she's getting rude. I'm just saying, Knock it off and let's get this thing resolved. It's 10:00 o'clock.

GM Koehler: The two math errors that you caught correctly, yes, with a \$4.30 increase across the board Operator 2 should be \$19.98 and Clerical should be \$16.80. That doesn't affect the other, at all, because at the end we're talking about marginal costs. So I don't know where Steven is saying that my math is wrong, and I'd say there are some little tweaks in here that could be made, but in general, I'm real comfortable in feeling like I covered the marginal costs. That is what I'm after, the change in costs. I've got overtime and I've got on-call. I don't know what retirement is and I refuse to put it in there because that's got nothing to do with this whole thing.

Director Hallman: It's an expense to the Board.

GM Koehler: It's an expense to the Board but it shouldn't be part of this. The health insurance does not change with this. The health insurance is based upon family size, it's got nothing to do with salaries. In fact the health insurance went down a few pennies. So I'm real comfortable in saying the marginal cost in increase is about \$13,000.

Director Ricetti: So, is the health insurance figured in all this, too?

GM Koehler: It doesn't impact this.

President Pool: Because it's not part of the marginal costs.

GM Koehler: It's not part of the marginal costs. It's based strictly upon family size. So you give anybody a lot more money and the cost of insurance does not change.

Director Ricetti: I misunderstood because other places do not have insurance for dependants.

GM Koehler: Some don't, a lot of them do. And a lot of them offer a cafeteria plan wherein a single person with no family has awesome insurance and yet that same amount of money going to a couple, they might have to make different decisions. But a lot of other places offer insurance to dependants, to a certain extent. Now, we don't pay much; our employees pay a token for dependant coverage, considering what the cost of insurance is.

President Pool: Well, does someone want to make a Motion?

Director Butow: I can't because I don't understand what the amount is, it seems to be undecided.

Director Ricetti: My concern is that, if this isn't right, then we've obligated ourselves to more money than we have to play with.

GM Koehler: Let's correct a couple of numbers. If you look at the bottom where it says Operator 1: I still want to keep that at \$14.50 although that is not what he is making now and that's not what I am proposing to pay him now. Okay so, what I proposing the pay to Operator 2 is \$19.98, Operator 3 is \$25.15, Clerical \$16.80, Office Admin \$24.30.

Tim Hallman: How about the possibility of putting a Rider on all this; I mean, this is only just slightly askew. Why not put a contingency upon this; you pass the raises whichever form you choose to go with, contingent upon an outside Study being done so they can be brought into alignment. Because, if you put it down in writing, and it's necessary to bring it into alignment, it could be a problem. If you do an outside Study, there's no argument. It can't be said you or you or you got the wrong numbers; it was an outside study. An engineering firm could do it, a couple of accountants could do it, there are several CPA's in the region; at which point these employees can get their raises where they need to be and it's not an arguable number. You can actually plan a tier rate and everybody is going to know where they are going to be. And then also, when you do this you could also start implementing a process with a contingency to update their job descriptions so they know where they are supposed to be on these tiers. Right now there is none of this in place and you are passing a raise for people that don't even know what their jobs are right now.

GM Koehler: They know what their jobs are. We have job descriptions.

Tim Hallman: Are they complete and up to date right now?

GM Koehler: Yes, they're pretty good.

Tim Hallman: Well then that will work really good on the Wage Study because they will know where they fall in the Wage Study (interrupted)

President Pool: When the County did the Slaven Study, it was very expensive. For an outfit this small, I don't think that's a good way to spend money.

GM Koehler: What entities would you like to see included in this Study?

Tim Hallman: Millview is on the low end, Ukiah is on the high end, Brooktrails is somewhere in between. It would be nice to have a Tier set up so that everybody would have that. I'm not too

concerned where these numbers are generated, I'd just like to see it so that they know where their money is going to come from and they are not guessing when their next raise is.

Director Ricetti: Sometimes you see ads in the paper that say, Starting at this amount, and maximum is this amount.

Steven Gardner: Well a lot of the District's have that. It would be nice if we could get some comparisons of those things because (unable to transcribe due to noises) It wouldn't take long, I mean, we've already done it; all of us have done it. (unable to transcribe due to noises) That's why I suggested last time that the Board Members do the research. It wouldn't take very long at all. And we've got all of the information already.

Director Butow: So we're looking at these numbers we've already talked about?

President Pool: I'm a little bothered with a Motion about this because the Operator 1 number is sort of hypothetical. Do we just leave that out of the Motion? What's the purpose of that number?

GM Koehler: The purpose of that number is that he is currently making \$13.00 and normally, if he passes his certification exam, he stays and gets a raise and gets more job duties. If he doesn't pass the certification exam, he's gone.

Steven Gardner: I don't think it's clear: Right now, Tyler is not an Operator 1. He is a laborer. If he becomes an Operator 1 that number would be needed.

President Pool: Ok, that is what I needed to hear. So, that's a real number for an Operator 1.

GM Koehler: Yes. I feel good about this being the Operator 1 number when someone becomes an Operator 1.

President Pool: Okay, we have the proposal on the table. I will entertain a Motion to approve that proposal.

Director Butow I'll so Move.

President Pool: We have a Motion.

(waiting, waiting,)

President Pool: We are waiting a long time for a Second. I'm going to pass the Gavel to the Vice President and I then will Second the Motion.

President Pool: Roll Call Vote:
Hallman: No
Spilman: No
Ricetti: No

The Gavel was returned to President Pool.

President Pool: That Motion Failed.

Director Ricetti: I would like to make a Motion.

President Pool: I will entertain your Motion.

Motion: Everybody gets a \$3.00 per hour raise across the board. And we will look into all the issues that were discussed tonight and if, in fact, the General Manager's figures are fine and accurate, then in the future we give them the balance of that increase.

Ricetti/Hallman

President Pool: And now, discussion:

Director Butow: Would you be making that retro to January 1st?

Director Ricetti: Oh. Hmm, I've never heard that discussed before, to tell you the truth.

President Pool: That's what we've been talking about doing because the idea is, that that's when we had the money, theoretically at least, available when Linda left. That's a somewhat contentious point.

Director Hallman: I would start it from now. Especially if we're going to look into it and give them the remainder, because going back like that is sometimes a nightmare.

Paula Berezay: The staff has been coming to Meetings for three months now, and if the Board had made a decision three months ago, it would have been effective then. It just doesn't seem fair. I mean, you could put it off another month and then say, we're going to start it that month. Like I said, I became Office Manager and Financial and everything in January.

Director Ricetti: It seems if they've been doing the work since then, I would go back to January.

Director Hallman: I will support that in this case, because this has gone on long enough.

President Pool: So, your Second still stands?

Director Hallman: My Second still stands.

President Pool: Any further discussion?

Director Spilman: Can I add something to this?

President Pool: Yes.

Director Spilman: I think that everyone deserves a raise, but to just hand out raises when we've had no employee evaluations, and if we do the \$3.00 an hour, then we should do a Rate Study to what the wages are, plus every employee should have an Employee Review.

Director Hallman: And, I don't know who's going to do the Rate Study or if it's members of the Board, but uhm, (unfinished)

President Pool: Well, Jack and I are the Personnel Committee. Are you (Jack) up for that?

Director Spilman: Nod yes.

Director Hallman: I would like to see Job Descriptions. I don't think Paula's job title encompasses everything she does. I've never felt that it does. We definitely need job descriptions, employee reviews. I've never been against them getting a raise, it was the numbers we were being given.

Director Spilman: I think that \$3.00 an hour will leave everybody in a better position than they were, and it will leave the District in a position that there is still some room. The other way, you could just get bit really bad.

Director Ricetti: Yes, and the door is still open and if it's right, we'll do it.

Director Hallman: Yes.

Director Hallman: Well, I would like to see you two (Personnel Committee) doing it because there's been too much maneuvering.

Director Ricetti: Well it's tricky.

Director Hallman: It's very tricky.

GM Koehler: I'll be more than happy to turn over all the materials that I have already obtained. These are not my numbers, these are numbers that I got from these places. You're going to have a little trouble lining up job descriptions because the rolls are different.

Director Ricetti: Well, we'll see too, like in Paula's case if her description is more involved than theirs is, then that speaks for itself.

Director Hallman: Like I said, her title doesn't encompass everything.

President Pool: I want to make sure we are through with discussion. Jack, you're willing to work on this with me?

Spilman: Yes.

President Pool: Okay, and so the **Motion** has been **Amended** to include:

The Rate Study that the personnel committee will do and the Employee Evaluations and Job Descriptions are to be reviewed by at least the Personnel Committee and then come back and make a recommendation to the Board about where we go with this from here.

President Pool: Okay?

Everyone agreed.

President Pool: Then I will call for the Vote:

AYES: Ricetti, Hallman, Spilman, Butow, Pool

NOES: None
ABSENT: None

The Amended Motion Passed.

Paula Berezay: The Handbook should have all that information. I will be leaving in a few years, but it is so important for all of the employees, including any new employees, to know what they are going to make.

Director Ricetti: Sure. You have to.

Director Hallman: I agree.

10:15 P.M. BREAK

Paula Berezay left the Meeting during the Break.

Liz Markowski left the Meeting during the Break.

Tim Hallman left the Meeting during the Break.

10:25 P.M. RECONVENE

9. HEARING OF COMMENTS OR QUESTIONS FROM THE ATTENDING PUBLIC. (Agenda Item No. 2)

Steven Gardner: I wanted to bring up a problem that's been occurring in the District for quite some time. I can't say the problem is getting worse, but the situation is degrading because it has been ongoing. We have a considerable lack of management within the operations here and it's getting worse. If it goes on much longer it's going to be difficult to pick up and clean up after it. What we have is that there is no oversight in the field. For instance today we had an operator go to town to deliver water samples and another operator took off to town to, seriously, pick up tool box liners. It's that nobody works together. Everyone works independently. If you don't work together around here, you can't get anything accomplished. That's the reason this 'Projects List' tends to get backed up. Typically I do oversee and line up the projects, but I have nobody to work with. What am I going to do? The majority of those projects are not a one-person job, but I do what I can. I'm working at the pump station now and I only had helpers for one day before they lost interest in it, so I'm doing it by myself. Recently an issue was that someone was using the grinder without a guard on it, and it bit him. It's one of those dumb things that should have been prevented and could have been. More recently there was an issue I didn't allow to happen and wouldn't allow to happen which was, we had a 10" pipe start to separate and the other operator was told to go down and restrain it live. Now, you do not go around a 10" strand of pipe under 120 pounds pressure live that is separating, for any reason at all.

Director Hallman: I'm sorry, who told them to do that?

Steven Gardner: The Manager did it.

GM Koehler: I did not. The three of us were standing looking over the side at it and were brainstorming and it was absolutely agreed that that was not a good plan. I asked Steven if it would be possible to restrain it with an excavator bucket, and we agreed that that was not a good plan. Then at that point the mutual agreement was, shut the line down.

Steven Gardner: Two of us were there, just you and me. Scott wasn't there. You went back to Scott because I was still busy, and you discussed it with him. Then he called me and he said, I was told to go down and try do this live, I'm gonna do this live. And I said, Absolutely not.

GM Koehler: I asked if it would be possible to restrain it with a bucket on an excavator. I did not tell Scott to do it live, at all.

Steven Gardner: So we have these issues. Another thing, the presentation tonight. The whole tank mixing thing, the relevance of the tank mixing, to what is going on in our system. We empty the tanks and fill them to mix them continually. When these people did do the depth sampling, we actually refrained from cycling the tank so that the test could be achieved. It's not a normal practice to do that; we cycle the tanks as quickly as possible. They fill, they drain. And that's so that we can keep them mixed.

Also, this whole issue with the north tank being our supposed 'bad child'. Basically they think that there are bigger issues in the north tank than there are with any of the others and that that's why we are required by the Department of Health Services to monitor our tanks. The worst tank is not the north tank, it is the Road B tank, by far, because the Road B tank is smaller and it's out in the direct sun. For some reason it has a much lower residual of chlorine in the incoming water to it. Those things are not clearly addressed, because they do not know what's going on because they don't hear from the operators that operate the system, they hear from the Manager who has absolutely nothing to do with the operation of the system. So we get a lot of discrepancies in all of these matters. Everything from the simple little things, the clearwell and clarifier. I can illustrate. The clarifiers and the two tanks in back, and there are also the ones right at the top of the hill. Earlier in the Meeting you heard Bill address the clarifier at the top of the hill. That's not the case. So, it makes it hard to discuss things and address things, especially with the newer operators. They can't necessarily understand, because Bill doesn't necessarily understand. So it creates some issues there, and there are more minor issues that have just added up to a big mess that is more or less getting worse over time. It's not getting better. Also with personnel, as a Manager, Bill is always telling us, well this needs to happen, this needs to happen, this needs to happen. As a Manager he takes no action to do anything about them. That's the Manager's job, but if you say it and you don't do it, then nothing's going to happen. We have a serious fault: This system is definitely over-manned and under-operated, and it's because of lack of management. We should have two-and-a-half, but we have three employees and out of that we would basically only need two-and-a-half because, first of all the Manager typically would be working within the system too, doing a lot of the oversight, and then you have two people working under him. That would be functional for this system, but as it stands we don't have a Manager working within the system and we have a third employee, and the fact that nobody works together around here, really makes it hard. Obviously things around here don't get done properly and nobody is on the same page, nobody is working on the same projects. There are a lot of things that require two people and there are a lot of things that require three people. Another example, the Road B tank took three months to coat and I finally threw a fit. That was ridiculous. The blemishes in the coating were superficial and localized,

and they didn't need to entirely recoat it and so finally I made a big deal out of it and had it readdressed and then the coating got fixed. We sent Scott to do it and it got put back on line. Actually, it's going to be put on line tomorrow.

Director Hallman: I'm sorry to interrupt you, but, when Bill is not around are you in charge of the crew?

Steven Gardner: I'm the T-3, but I gave up Management because when Bill came here, he undermined my Management because Wayne didn't want to climb around the pump station with the weedeater because he was overweight, so he went back and whined and complained to Bill. And if I'm not going to manage, I'm not going to manage. So I gave it up. The only reason I do a large part of his job as Management is because I don't want this place to fall apart, I want it to be functional, so I give my knowledge where it is applicable when I can help out, I do spend a lot of time arguing with Bill in a lot of situations because I know the way things are and the way they should be and I am more familiar with the system. So when he comes up with some idea and I know it's not correct, I will argue it. We go through that a lot. The situation is that the job just isn't being done, so what am I supposed to do? Just sit back and say, oh well, it's not my fault? It's my doing too, because everybody has gone along with it for so long.

President Pool: And so, what do you think needs to be done?

Steven Gardner: I really think there needs to be something addressed with the Management. There needs to be Management here of some sort. It's needed. Now Bill has a certain way, he said that his way of operating is that everybody should operate themselves, should basically be able to do what they need to get done. But the problem is we should not be operating independently, but we should be operating as a whole, we all need to be a team. And Paula and Liz have discussed this a lot with us because we need to get everybody to cooperate and work together. I myself operate pretty well with the treatment plant, I operate well with the office and going in-between, but when it comes to everything else it's like there are a lot of disconnects in the way it is operated. We need to come up with an idea, to come up with a way to get some sort of structure and get somebody to Manage this place. It's got to be done.

Director Butow: Let me ask you this, If you are the T-3 operator and you are very familiar with the whole system, do you make any effort to get the other employees to aid you when the project requires more than one person?

Steven Gardner: Yes.

Director Butow: But on the other hand you are saying that you can't get anybody to work with you so you wind up doing it by yourself, the Road B tank?

Steven Gardner: No, not the Road B tank, the pump station. I got them all lined up to go out there and they went out with me for one day.

Director Butow: Why weren't they directed to come out with you the second or the third day?

Steven Gardner: They were never directed to come out with me the first day.

Director Butow: I'm asking you as a T-3.

Steven Gardner: I don't have authority over them. I am not in Management at all. I have never assumed the T-3 title, you realize that right? I'm still a T-2. I've got my T-3 certificate.

Director Butow: Well wait a minute. We're paying you as a T-3.

Steven Gardner: No you're not. No, no, no. What you are paying me for is, I was hired as a T-2 Operator, I was paid as a T-2 Operator, I was given a raise by Darin after my evaluation, I was given no more raises nor was I given any increase. Darin asked me to take the T-3 and D-3 test because he wanted me to assume the position of Management. And at that point I was doing it in the interim because Darin and I had a very good relationship and we worked very well together. So I was doing it, but I wasn't doing it for the District I was just doing it basically because of the situation. Once Bill came on, then it changed back to him being the Management.

Director Butow: Well that's what we hired him for, to be the Manager.

Steven Gardner: That's my point.

Director Butow: If you're the Assistant (not finished)

Steven Gardner: No. I'm not the Assistant.

Director Butow: So you're not taking any responsibility other than, you're just Joe Employee.

Steven Gardner: Yes. That's all I am.

Director Butow: Yes, T-2. So you're no different than Scott.

Steven Gardner: Well what Scott is now; but Scott is actually being paid as a T-1.

Director Butow: But you're telling me all these things and then you're telling me that you're basically no different and have no more authority now than Scott does.

Steven Gardner: Yes.

Director Hallman: I do have to say that I did ask Bill once during a Meeting, and the exact wording was, Who is responsible when you're not there? I don't remember Bill's exact wording, but it was essentially that there wasn't a crew leader. This was in response to that piece of equipment that was being operated unsafely by somebody who had no right to be on the equipment. And Bill said that he wasn't there and he didn't know what happened.

Director Ricetti: This is every Friday, right?

Steven Gardner: Well it's every day.

Director Ricetti: But I mean, always on Fridays Bill is not here.

Steven Gardner: Yes, but Bill sits at his desk the majority of the day or he's out at meetings. He goes into the field to do simple work orders that our flunky employee should be doing. Other than that, he comes out when anything is going on and he observes and that's it. There is no

Management from him even when he is around. He doesn't get involved. The only way we hold things together is because of the fact that the employees we have, when it comes to their personalities and the people they are, they are good. They are honest employees; we have outstanding employees that are not out to screw each other over. We have a crew that is by means as functional as you can get it. The new guy is learning slower than I would like on some things, but is learning good; but he's a gamble. Then we've got Scott who has been here forever and he knows what he is doing and he does it very well. It's just the fact that you can't coordinate things without having some sort of organizational set-up to it. For example the Solarbee's: Nobody likes going out on the reservoir when it's 98-degrees out. It's hot in the boat and you get sunburned on your face. We needed to go out and replace the brushes, so I asked Tyler, Hey, will you go with me to replace the brushes on the Solarbee's? He said, No, I'm going to go mow. He didn't look at it as which is more important, mowing or replacing the brushes on the Solarbee's he looked at it as which is funner, driving around on the tractor or going out on the reservoir. Of course he chose the fun one; he doesn't have to choose the one that needs to be done, he gets to choose which ever one he wants.

Director Hallman: I'm sorry, when you come in to work, are all three of you working every day at the same time?

Steven Gardner: Yes.

Director Hallman: Okay, so there's no staggering.

Steven Gardner: No. Except for the on-call operator.

Director Ricetti: And there's not a list for the day of, here are the projects we need to get done. You do this. And, you do this. And, you do this.

Steven Gardner: You could never do something like that here because this is one of those jobs, it's not like a production line.

Director Ricetti: No. I'm talking about projects.

Director Hallman: I think that what she's asking, the Manager doesn't say I need you to do this and this today. This is what needs to be done today. Do you get that direction?

Steven Gardner: To some degree we do. There has been, this needs to be done, and this needs to be done, and this needs to be done; but if we're not given the proper resources to do it by the Manager there is never any provisions made to give us the proper resources; to say "Go do it". Usually it comes out as, "We really need to get this done".

President Pool: What do you mean by 'none', 'not given the proper resources'?

Steven Gardner: Well basically it's, he walks in and would say, We still need to put in the chemical alarms.

And that's that. So, he tells three guys to put in the chemical alarms. Well, nobody knows who is actually doing it. Scott and Tyler wouldn't know what is actually required to do that job, they aren't into it enough. I think Scott could probably figure that one out because he's been here long enough.

Director Butow: Would you know how to do it?

Steven Gardner: Yes.

Director Butow: So you, then, would be the lead man, you're guy that would be responsible, right?

Steven Gardner: No.

Director Butow: Why not if you're the only guy who knows how to do it?

Steven Gardner: Yeah, but I don't (didn't finish)

Director Butow: You don't want to do it?

Steven Gardner: Oh no, no, no. I did it. But I was trying to sort this out because of the liability (several people talking)

Director Butow: I'm trying to figure out how (several people talking)

Steven Gardner: I was being undermined by the Manager is why I quit it. That's why I didn't do it.

President Pool: Say that again?

Steven Gardner: My authority was undermined by the Manager, and that's why I gave up the Management position. That's why I don't do it.

President Pool: But we were talking about the specific task.

Steven Gardner: Oh. Yes, I am capable of doing that.

Director Butow: But you won't do it until he tells you to, or what?

Steven Gardner: I don't have the resources to do it. Something like that is not a one-man job.

Director Butow: Well I realize that. Are you talking human resources, material resources or what?

Steven Gardner: Mainly it's just the resources in the employees, in situations like that.

Director Ricetti: So you cannot say to Bill, Hey, I need Scott to come with me to do that, and then Bill says Go.

Steven Gardner: It doesn't work, there is never any reinforcement upon it. I would have to go and completely do his job (interrupted)

Director Ricetti: If Bill says to Scott, Go with Steven and do this, Scott would go do it, right? That's not happening?

Steven Gardner: But Bill doesn't have the knowledge to know what we're doing to do anything.

GM Koehler: Not on a lot of those things, Steven (interrupted)

Director Butow: What I'm asking is, if you have taken it upon yourself and you are the only one with the knowledge to install that whatever it is, and you go to Bill. If your relationship with Bill is such that, "Bill I need a couple of guys, .. or, I need Scott", or whomever.. ,(interrupted)

Steven Gardner: That's Bill's job.

Director Butow: If you're the man that knows how to do the job and you know what you need in order to get the job done, and the resources that you need happen to be human resources, then, Now, you're not the Manager, you're not going to be boss or foreman, the proper thing to do, and I've been in management for 30 years, you go to him and you say, "I need a guy. Give me a guy, I'll go do that (job)." Is your communication in such a bad shape that you can't ask him for that man?

Steven Gardner: Then what? Who oversee's that guy, because we're peer to peer, who oversee's him?

Director Butow: We're looking for the job to get done, right?

Director Ricetti: So you tell Bill that you need a guy and he gives you a guy. You take that guy out and you say, This is what we need to do.

Steven Gardner: And we would do that cooperatively.

President Pool: Even if you're equal, even if you have the same seniority and everything exactly the same, but you're the one with the knowledge to take charge of that job, then the normal procedure would be that you would be put in charge of that job and then he would be the person helping you and answering to you on that job.

Steven Gardner: Typically the way it works when we go out on jobs, just because of the fact that they know that I have the range of knowledge needed (not finished)

GM Koehler: I'm sure you have enough examples, and I'm sure that Steven could come up with more, so let's take this matter into Closed Session next month.

Director Hallman: I think that's a good idea. We definitely need to finish this discussion. I see what he's saying, He's not getting the direction.

Steven Gardner: It's not necessarily when they are working with me, that I'm referring to either. They do work for me just because they know we need to get the job done and they know that I know how to do it. But the problem is, what about the times that they are not working with me? What about these jobs that need to be done and are not getting done. What am I supposed to do? Am I supposed to just go out and do every job in the whole District just so that I can take somebody with me so that it can get done? It just doesn't work that way. And that's the problem; that's the point I'm trying to make.

President Pool: Okay. I think we get the point.

Director Butow: You're unhappy, we get it.

Director Hallman: Let me just say, I don't think he's unhappy, I think he sees a problem and is trying to talk to us about it. A lot of people would not come in and talk like this in front of their Manager.

President Pool: Very few of them, actually.

Director Hallman: I appreciate hearing what he has to say.

President Pool: We need an ongoing discussion but I think that's enough of it for now.

Director Ricetti: Okay.

Director Hallman: Now we're back to the Agenda Item 5.

10. APPROVAL OF CONSENT CALENDAR (Agenda Item No. 5)

- a. Financial Statement.
- b.-1. Bills Paid since those approved at last Meeting.
- b.-2. Bills Paid as approved at previous Meeting.
- c. Bills Payable.
- d. District Activity.

After review, a Motion was made.

MOTION: Approve the Consent Calendar.
Hallman/Ricetti Discussion CARRIED
AYES: Hallman, Ricetti, Spilman, Butow, Pool
NOES: None
ABSENT: None

11. APPROVAL OF MINUTES AS PRESENTED. (Agenda Item No. 6).

The Minutes of May 23, 2012 were presented.

After review and clarification a Motion was made.

MOTION: Approve the Minutes as reviewed with minor changes.
Hallman/Ricetti Discussion CARRIED
AYES: Hallman, Ricetti, Butow, Ricetti, Pool
NOES: None
ABSENT: None

The Minutes of April 19, 2012 were presented.

When the April 19 Draft Minutes were previously presented at the May 23rd Board Meeting, Director Spilman requested that the dialog between him and GM Koehler regarding the amount of pay given to a new employee, be transcribed into the Minutes and brought back to the Meeting tonight for approval.

At the Meeting tonight, reviewing Page 9, Director Hallman asked Director Spilman: Is that the change you were looking for?

Director Spilman: Yes. If I'm reading this correctly, you were just taking an end run around the Board?

GM Koehler: I wouldn't use that language. I would describe it as attempting to get a competitive wage.

Director Spilman: Why wouldn't you come directly to the Board instead of maneuvering like that?

GM Koehler: Well, it's not a Board decision actually.

Director Spilman: Who put the freeze on wages?

GM Koehler: The Board put the freeze on the current pay. But I get to choose new hires.

Director Spilman: You get to choose who's hired, but from what you said, you were just making an end run around the Board regarding his pay.

GM Koehler: If you want to use that language, that's fine.

Director Butow: What are you talking about?

GM Koehler: The reality that I overpaid. Well okay, I paid him what, if he had been who he said he was, he might have actually been worth. And yes at that point I would use that as a springboard to get the other employees hopefully more money. That was the intent. If you want to call it an end run, that's fine.

Director Spilman: I mean, why wouldn't you just come directly to the Board instead of doing that?

President Pool: He just said why.

GM Koehler: It's a new hire that I was hiring in at (interrupted)

Director Spilman: No. There's two things: you can hire whoever you want. But the next thing was, you hired him with the intention of going around what the Board told you instead of coming directly to the Board. That's what you told us.

GM Koehler: I'm not going to belabor this point. My ultimate goal was, yes, to get a more competitive wage structure for District employees, absolutely.

President Pool: And he, at least to the personnel committee at that time, did say that. I don't recall if that was discussed with the full Board or not.

Director Hallman: No, I don't recall that.

GM Koehler: I don't have any problems with the language that is shown here in the Minutes. If you have a concern with the actions, then it sounds like we're scheduled for next month anyway.

Director Hallman: Ok, then it looks like we need a Motion to approve the Minutes.

MOTION: Approve the Minutes of April 19, 2012.

Hallman/Spilman Discussion CARRIED

AYES: Hallman, Spilman, Ricetti, Butow, Pool

NOES: None

ABSENT: None

12. DIRECTORS AND STAFF REPORTS AND DISCUSSION OF NON-ACTION TOPICS.
(Agenda Item
No. 7).

GM Koehler informed the Board that the Rudy Light trial regarding the Russian River frost protection water issue is now scheduled for June 28, 2012 at 9:30 A.M. It's apparently expected to be standing room only. And that's not just Rudy Light, that's Sonoma County also.

Director Ricetti asked about the Sacramento complaint.

Director Hallman said that both Sacramento and Sonoma County did File, and they Filed on the same day.

NOTATION For the Record: Director Hallman meant to say, Both Sonoma County and Rudy Light did File, and they Filed on the same day.

GM Koehler: What you're thinking about Sacramento is, Sonoma's suit against the State Water Board was originally filed in Sacramento.

Director Ricetti: Oh, okay, I get it.

GM Koehler: Those Filings were joined together and both of them are being heard in Ukiah on June 28th at 9:30 A.M.

13. GENERAL MANAGER'S REPORT AND ACTION ITEMS. (Agenda Item No. 8)

a. District Operations.

The District is operating well with no problems to report.

b. Abandoned Service Resolution.

Director Hallman: When we talked about this situation and discussed creating a Resolution, did we put any language in here that maybe I missed, that if they go to a new person, how did that work out?

GM Koehler: It can't go to a new person under the current operating conditions.

President Pool: Oh, don't you mean a new owner of the same property?

Director Hallman: A new owner of the same property. We talked about not wanting the fees to be so high that somebody couldn't come in so that (not finished)

GM Koehler: The property will be Liened, so therefore the Lien will have to be paid.

President Pool: I'm a little bit confused about Items 6 and 7 on the second page. It isn't perfectly clear to me about those, whether it is cumulative or not.

GM Koehler: They are not cumulative, they were not intended to be cumulative. If you like, I could work on it and bring it back next month.

President Pool: I would like that, we need to be quite clear on that. Well, we could make that clear right now.

GM Koehler: Okay, what #7 should say is: Initiates an additional charge of \$500 for reconnection after one year.

GM Koehler continued: So after 6 months it would be a \$500 charge and after a year it would be an additional \$500 charge. That is not cumulative.

President Pool: Yes, and I think that would do it.

GM Koehler: Okay, and if the Board approves that, I will bring it to you for a signature.

President Pool: Yes.

A Motion was made.

MOTION: Accept Resolution No. 2012-2 with a change to #7 that it is an additional \$500, for a total of \$1,000.

Ricetti/Butow Discussion CARRIED

AYES: Ricetti, Butow, Pool

NOES: Hallman, Spilman

ABSENT: None

GM Koehler: Interestingly enough, I received a call from the gentleman in question, yesterday. His bill is \$1300. He's perfectly aware that he is due for everything except for a leak that he is disputing. The house burned down in June of 2008, apparently the pipes melted and water was

blowing out. The fire department turned off the meter. The service itself was not disconnected per us. In December 2010 the owner was in arrears, we had not done anything more active to it other than periodically checking it. And it's a radio read, so we observed that there was no usage and all of a sudden, I would assume that somebody vandalized it and turned it on. So the owner picked an \$800 water bill. Historically it has been a policy of the District that, if water goes through the meter, you have to pay for it. So we can agree that it probably wasn't him, but it's under his ownership.

Director Spilman: Well was that meter locked off properly?

GM Koehler: It was shut off. It wasn't locked off.

Director Spilman: And he was in arrears and he wasn't allowed to use it?

GM Koehler: It was off and not being used.

Director Spilman: So it should have been locked off.

GM Koehler: Not necessarily. If it's off and not being used, and there is no attempt at using the water, we don't always lock them. But if it's off and has "0" usage for a long time, somebody tracks it down. This meter has since been pulled. I don't know if there is a lock on it or not, I assume there is, I haven't been out to look at it.

So the question is, he asked me yesterday if that \$800 can be forgiven. I told him that I would bring it up today under that topic. Historically the answer has been "No".

Director Hallman: I think the best we can do is whatever we've done for other people, then do it the same way.

GM Koehler: Sure, that would be consistent with what we've done in the past.

(several speaking at once)

Director Butow: If that's a vacant building and he's not going to use it, that's different.

GM Koehler: And he's absent without any communication. We were driven to sending him registered letters with return receipt, and getting nowhere. No communication from this guy.

President Pool: And we've spent a fair amount of more energy on this.

Director Spilman: You can't expect him to be able to pop up with roughly \$300 (unable to transcribe)

Director Ricetti: \$300?

GM Koehler: Well \$1300.00 is the total bill. It's \$800 worth of water. He's not disputing the other charges, although I'm not sure he's aware of just how many other charges he's accrued.

Director Hallman: The best we can do for him is the same that we've done for other people. It wasn't his fault, it's unfortunate, but still it's at a base rate.

GM Koehler: Okay, and if you think it out for a year, which is again, consistent with what we do. And if he doesn't make those payments, then we would require a payment in total before it gets turned back on again.

Director Spilman: Give him a letter to that effect.

GM Koehler: Will do.

c. State Board Petition.

Director Hallman: We've kind of already discussed the State Board's position, but basically we are stuck.

GM Koehler: The enclosed Water Use Summary (AFY) for the past 11 years shows that during that time the most we have diverted under our own right is 451 afy.

d. Redwood Valley Community Church Fire Service Installation.

The fire service installation for their new fellowship hall is scheduled for June 11. We will inspect the installation but otherwise we have not incurred any expense.

e. Surge Tank Mitigation.

The payment has been made to the Mendocino County RCD. We have received a receipt and we have received a letter from the Regional Board. As soon as Rau and Associates completes the Final Report, it's over. Our part is done.

f. Surge Tank Easement.

GM Koehler: I recommend that the Board declare the surge tank "surplus" and transfer official ownership to Dr. Benrezavi for \$10. The only reason not to do that would be, maybe there is some leverage there, but the leverage is offset with the liability of us still potentially owning the tank. I don't think she is going to respond to that particular leverage anyway. Basically in terms of what she agreed to do, with the exception of the easement, she has done. The equipment is installed and working. I would write her a letter stating, Upon receipt of your \$10, this is your tank.

Director Ricetti: And that's the end of all these easement issues.

GM Koehler: No, it's not the end of the easement issues, those are completely separate. I have been to title companies, to Mendocino DOT. In 1977 when the original plans for the District were drawn up there was a picture of the site with the 'PL' legend written on it. The three easements are clearly defined, legally recorded, but they stop at this 'PL' point, which we are tentatively assuming means 'property line'. So there seems to have been some ownership. I've also contacted Bureau of Reclamation and asked them to check their records. I have discovered that all of the other tank sites are legally recorded that we own them. The way they

work consistently is, we own the tank sites themselves and we have easements for access and pipeline.

President Pool: That sounds consistent with the others then.

GM Koehler: The only place I have left to look at is some really old archived records here. I'm slowly getting through that in the hopes of finding it. And in addition, Jim Ronco's name has come up several times as somebody who is really good at ferreting out this kind of information, so I handed him a large bundle of all the stuff that I had found so far, and I asked him to please see if he can find something on this spot.

President Pool: I can't think of anybody who's more likely than him to do this research.

Director Spilman: How does your easement on the rest of the pipeline in that area and going through that, what kind of an easement agreement do you have?

GM Koehler: There are actually three separate easements. There is drainage, and pipeline, and communications. The installation that you put in, is in the easement, so the pipeline and the valve itself are fine, and about a quarter of the new wire is fine. About three-quarters of the new wire, where it goes from the middle of the road up to the transformer and then over to the antenna, and then the antenna itself are not in the easement but the rest of the stuff is. So all we're really dealing with is the antenna.

Director Spilman: Okay.

GM Koehler: And I told her that I'm more than happy to modify what our attorneys drew up as a proposed easement agreement. It's pretty restrictive, it doesn't allow her to do anything on top of our wire conduit. I offered to change the language because all we really need is access to the pull-boxes; and we need an agreement that she won't be punching any fence posts down through our conduit. And the same with the actual box that the valve is in, if she wants to plant on two sides of that, as long as she leaves the side that's facing out towards the driveway, that's fine. But she just basically says, I won't give you anything.

Director Spilman: Well, from what I read with what the attorneys said, that she couldn't plant anything for 40' and she couldn't put anything on top of it, what the District initially gave her would set anybody off, I'm afraid.

GM Koehler: Yes, and that's why I immediately backed off from that and said, If this is the issue, that's easy to change. I asked her to mark it up, just let me know what she didn't like about it, and that I would arrange to have that dealt with, or at least reviewed. And all I get from her is, You get nothing.

Director Ricetti: Is it the property that it's on, or the easement piece?

GM Koehler: She owns the property that our antenna and wire is on. But yes the language was too restrictive. That's easy to fix. We need the pull-boxes, we need her not to punch holes through the conduit, but if she wants to plant something right next to the conduit or even put a garage on top of it, as long as she doesn't interfere with the actual conduit so that we can pull in a new wire when we need to, that's all fine. So hopefully, if I can find a piece of paper that says that we actually own where the tank used to be then our positions just shifted interestingly. We

have a number of options that I don't particularly want to pursue, such as condemnations, prescriptive easements (interrupted)

Director Spilman: But you're satisfied with where the valve is and the piping to the valve.

GM Koehler: Yes.

Director Spilman: Okay so the only issue you've got is the conduit and the antenna?

GM Koehler: Yes.

Director Spilman: Why don't you propose that to her?

GM Koehler: I have.

Director Spilman: I mean, just, All we want is access to the antenna, and an easement to the antenna.

GM Koehler: I have.

Director Spilman: And, You can plant where you want on it.

GM Koehler: I have.

Director Hallman: This is originally something that wasn't supposed to be very indepth or costly to us.

GM Koehler: The easement, as written by our Attorney, obviously needs to go; it's too restrictive.

Director Spilman: It was a \$5,000 easement from the Attorney.

GM Koehler: Well not quite. But in any case I will continue looking through the historical files. It may be that it was never recorded and there is no document anywhere, other than maybe back there in our shed, but that doesn't make it not a legal ownership.

Director Ricetti: That's right. Just because it hasn't been recorded, it's still a legal document.

GM Koehler: So we may find something; there were three owners previously.

Director Spilman: You have your stuff in place up there and you have access to it right now through the letter.

GM Koehler: Correct. But the letter can be unwritten. She could write me a letter.

President Pool: It's permission to enter and that could be withdrawn. That's the point.

Director Ricetti: That's the point of giving them the letter.

President Pool: At the very least, we need a Right-of-Entry to Construct and Maintain, which I could write.

Director Hallman: I thought we had that agreement with her originally when we started the project. I mean, that was the whole idea.

GM Koehler: We did from Jeff Burrell acting as her Agent. He came to the Board Meeting representing her. I even sent her copies of the Minutes that said Jeff Burrell agreed as your Agent to grant us a new easement. And she just said whooey.

Director Ricetti: Well it has to be in writing from her, that he is acting as her Agent.

GM Koehler: So right now I am not really worried but it is something that needs to be cleaned up and I will continue to be poking through old archives.

g. School Way Bridge.

GM Koehler: The pipeline relocation might be as much as \$300,000 and then the two meters that need to be relocated. Steven and I talked about that this morning and we'll probably try to get that done, maybe after the first rain this year, so that we will be done and out of the way when they start construction.

I've also communicated to Rau and Associates that I'd like to have them look at the alternative construction that we described; and also the couple of monster valve clusters that they were going to originally install for bypasses, we don't need. We can operate with those two lines severed.

h. Clams. (Agenda Item 8.i.)

Director Hallman: It came to my attention that we have clams in our fire hydrants, which we all know, but at the industrial park fire, when they had it, the hydrant hadn't been flushed and the clams got into the pipe. They had to stop, clean everything out, and resume fighting the fire. After talking to the Fire Chief, I learned the fire department used to flush the hydrants, but he was told that it is the District's responsibility. He did say they have screens, but if those clams had actually gotten into their pump and damaged it, it would have been a \$40,000 repair. Our problem, yes. It was also brought to my attention that we haven't flushed the fire hydrants for years. I don't know for sure. I would like to see a flushing program here and I understand we can't do it in the summertime.

Steven Gardner: Well the flushing program is for the domestic system. The ag water is different; typically we don't flush the ag water because it's just wasting water.

If you want to flush the hydrants, we basically flush the hydrants till we run out of water and then we suck out the sludge in the bottom till we don't have any clams left. Even if you flush the hydrants there is still clams in the line. You can't flush them out. They are in the bottom of the lines.

Director Hallman: You're never going to get them out?

Steven Gardner: No. They don't live in the hydrant; they live in the sludge in the bottom of our pipes throughout our entire system.

Director Hallman: Well you see, I was actually told that it was the District's responsibility to do it twice a year.

Steven Gardner: On the domestic side we have to have a flushing program, we should have one. We don't because if we started one, we would cause issues. But on the ag side, I don't believe there is anything that regulates the flushing of it, in fact I don't know of any places that would flush their ag systems.

Director Ricetti: Maybe we better address that before something down the road happens.

GM Koehler: There is no mechanical prevention.

Director Ricetti: No I mean before something happens that they think is our problem.

Director Hallman: Well that was kind of the point that was made. If somebody's house burned down, could they make a case against us.

Director Butow: You're right, there should be a flushing program. When the industrial fire happened down there, Keith Tiemann was the Manager here. I think that prior to that, the Fire Department would come out and flush out the hydrants from time to time.

GM Koehler: Well they are supposed to Flow Test which in essence is a flushing, and they stopped Flow Testing.

Director Butow: Well Keith told them not to do it. It came up before the Board at that time and it was my understanding that we started down toward a flushing program at least on the domestic side.

GM Koehler: We are supposed to flush; we are supposed to exercise the valves and I've been very reluctant for two reasons to get into a directional flushing program. One is, the first thing that's going to happen is that for the first 6-months your water quality is going to go downhill fast. You will stir up all that stuff. The other issue being, without a real good control over the valves, it's very difficult to develop a directional flushing program.

Director Butow: If we had this flushing device we talked about, would that help with this?

GM Koehler: Yes, absolutely. We would have at least a better handle on which valves work and which ones don't. So again, talking on the ag side, when they had to change out a 4" valve that taps right into the main, I think nearly the whole town was out of ag water. So exercising may help some of them because if you can run them up and down enough times, sometimes you can get the groves cleaned out that the actual slide 'seats' in, and we can rehabilitate some of those valves. Some of them probably aren't coming back, they will likely have tuberculation in them that will prevent the valve from closing. There could be some of them that the stems are going to break off.

Director Ricetti: So the fire hydrants with those clams, can you (interrupted)

Director Hallman: The fire fighters actually, their policy is to flush them before they hook up to them.

GM Koehler: It's an issue that I discussed with the church project as well; I pointed out to them that these things could get into their sprinkler heads. Hopefully there are strainers in their system. That is none of our business because ownership stops at the valve. We don't own the backflow device, we don't own any of that.

Director Hallman: Ok, it sounds like it's actually a little bit of a problem. But anyway that's all I wanted to talk about.

i. Neary Proposal. (Agenda Item No. 8.j.)

GM Koehler: I recommend that you read the proposal. If you have time, please also read John Dickerson's proposal as well; it has some interesting financial analyses of Districts.

President Pool: I haven't read it all yet, but what I've seen in it so far, I feel like there is potentially some helpful guidance on our future budget planning, that maybe things years down the road might be the direction that we need to be moving. And in that regard, I think it's definitely worth the time for everyone to read it.

Director Hallman: And did everybody read Chet Van Vleet's letter?

Director Ricetti: I read it but I feel like I need to sit down and read the Neary proposal.

President Pool: Exactly.

GM Koehler: The Dickerson proposal goes a bit farther than the Neary proposal in the sense that it brings in Ukiah Water, Wastewater and the Sanitation District as well into the mix, and Calpella Wastewater and Hopland as a satellite. As an intellectual exercise you look at some scenarios of what it might be if it were actually being done, everybody together.

President Pool: And to clarify, he's suggesting that water and wastewater be moved out of Ukiah's control and into this new overall Agency and he thinks it would be doing Ukiah a favor.

GM Koehler: And there is an interesting little twist in all of that, and that is the Sanitation District in particular, when they can't collect all their bills there isn't much they can do about it, whereas if you have a combined water-wastewater bill and you don't pay your sewer bill, you get your water turned off.

j. Flood Control/Redwood Overlap Area. (Agenda Item No. 8.k)

Director Spilman: Let's put this over to next month. We're running out of daylight here.

GM Koehler: Okay. I have some handouts here that everyone can review in the meantime.

14. FINANCIAL REPORT. (Agenda Item No. 9.a.)

a. The Financial Report was reviewed.

GM Koehler pointed out that the operating income is much lower than expenses. Significant payments were \$30,000 to RR Flood Control for water purchase and also a payment of \$64,000 to the RCD.

MOTION: Approve the Financial Report as presented.

Ricetti/Butow Discussion CARRIED

AYES: Ricetti, Butow, Hallman, Spilman, Pool

NOES: None

ABSENT: None

b. Auditor's Packet, year ended June 30, 2011.

President Pool: There are some things in the Financial Statement that I would like to have a discussion about, taking a closer look at where the numbers come from, especially after reading part of Dickerson's proposal, and I want to make sure that we are actually doing a statement that makes sense. But it's just too late tonight. Can we carry this over to next month?

GM Koehler: Yes, I can leave a note for Paula to phone the Auditor tomorrow with this update. Just a reminder that the Auditor's make a disclaimer statement every year, that they don't have an "Official Basis of Cost" for the District. According to him and some other Accountants I've talked to, this is not uncommon because they basically did not keep every single receipt when they built the District. So he is really going off the two portions of the original loan, for evaluation of the District.

President Pool: I just want to take a harder look at how he should be doing this. Since I'm not an accountant, it's always a difficult thing for me to get into, but as best I can I'd like to understand it and see if it can make some sense.

GM Koehler: This is one of the advantages of possibly going with a different outfit. And in fact again, there is some legislation floating around in Sacramento that hasn't passed yet, that will actually require a change in accounting firms on a regular basis.

President Pool: Yes, well I want to be reasonably satisfied that we're truly complying with GASB34 and not just saying we are.

GM Koehler: There are a couple of firms that have called us and I can follow up with them.

President Pool: Okay, thank you.

15. MENDOCINO COUNTY RUSSIAN RIVER FLOOD CONTROL & WATER CONSERVATION IMPROVEMENT DISTRICT. (Agenda Item No. 12).

Director Butow: The RRFCD is making noise like maybe they don't want to pay into the IW&PC for funds supporting the efforts of Paige Poulos.

GM Koehler: Also to note, there was absolute non-discussion of the Neary proposal. However, it was mentioned, to the effect of: It's on the website. If you're interested, go read it.

The Meeting ended at 11:55 P.M.

The next Regular Meeting is scheduled for 7:00 P.M. on Thursday, July 19, 2012 at the Water District Office, 2370 Webb Ranch Road, Redwood Valley, California.

Respectfully Submitted,
Linda Groth, Recording

Secretary

APPROVED: Board of Directors

Notation for the Record:
See Page 45, Item 12 at Dir. Hallman

comment.

DATE APPROVED, with Notation: July 19, 2012

SIGNED: Paula Berezay
Secretary, Board of Directors