

MINUTES
BOARD OF DIRECTORS
SUNNYSLOPE COUNTY WATER DISTRICT
Regular Meeting
January 20, 2015

- A. CALL TO ORDER:** The meeting was called to order at 5:15 p.m. by President Hill, at the Sunnyslope County Water District office, 3570 Airline Highway, Hollister, California.
- B. ROLL CALL: Present:** President Kathleen Hill; Directors Michael Alcorn, Judi Johnson, Dave Meraz, and Danny Villalon.
- C. PLEDGE OF ALLEGIANCE:** Director Villalon led Directors, staff, and public in the Pledge of Allegiance.
- D. APPROVAL OF AGENDA:** Upon motion made by Director Johnson seconded by Director Meraz, and carried (5-0), the agenda was approved as presented.
- E. PUBLIC COMMENTS AND AUDIENCE INTRODUCTIONS:** The Board welcomed members of the public and opened the meeting to public comments regarding matters not itemized on the agenda. There were no comments.

Staff present for Open Session: General Manager/Secretary Don Ridenhour; Attorney Heidi Quinn; Executive Assistant/Stenographer Carol Porteur; Water/Wastewater Superintendent Jim Filice, Finance and Human Resource Manager Cathy Buck, and Assistant Engineer Rob Hillebrecht.

Others present: Four San Benito High School students and Patricia Kaufman of McGilloway, Ray, Brown & Kaufman.

F. CONSENT AGENDA:

1. Approval of Minutes – for the Regular Meeting of December 16, 2014.
2. Allowance of Claims – to ratify disbursements for the period from December 10, 2014 through January 12, 2015, totaling \$318,356.62, which includes \$315,441.80 for payments to vendors and for employee compensation, and \$2,914.82, for customer refunds and deductions for checks returned for insufficient funds. The last check written as of January 12, 2015 was check # 20423. The list of disbursements is as follows:

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
12/15/14	ACH 0658	EFTPS	-231.00
12/12/14	ACH 0661	RETURNED CHECK (Ck. Ret. 12-02)	-470.51
12/17/14	ACH 0662	RETURNED ACH (ACH Ret. 12-01)	-65.02
12/31/14	ACH 0663	EFTPS	-19,262.46
12/19/14	ACH 0664	RETURNED CHECK (Ck. Ret. 12-03)	-161.70
12/23/14	ACH 0665	RETURNED CHECK (Ck. Ret. 12-04)	-250.00
12/23/14	ACH 0666	RETURNED CHECK (Ck. Ret. 12-05)	-155.21
12/24/14	ACH 0667	RETURNED CHECK (Ck. Ret. 12-06)	-125.08
12/24/14	ACH 0668	RETURNED CHECK (Ck. Ret. 12-07)	-108.51
12/26/14	ACH 0669	RETURNED CHECK (Ck. Ret. 12-08)	-132.01
12/16/14	ACH 0671	CrCard REVERSED (cust. pd. twice in err.)	-348.00
01/05/15	ACH 0672	Merchant Services (fees for Dec. credit card prmts)	-738.05
01/09/15	ACH 0673	RETURNED CHECK (Ck. Ret. 01-01)	-184.46
12/15/14	DD 1258	Clapham, David G	-266.05
12/15/14	DD 1259	Meraz, David E	-266.05
12/15/14	DD 1260	Villalon, Daniel	-67.35
12/31/14	DD 1261	Alvarez, Abel	-5,316.14

Date	Num	Name	Amount
12/31/14	DD 1262	Brill, Kelly L.	-4,850.89
12/31/14	DD 1263	Buck, Cathy L.	-6,566.38
12/31/14	DD 1264	Castro, Kevin G.	-4,341.80
12/31/14	DD 1265	Chavez, Jr., Manuel T.	-6,510.54
12/31/14	DD 1266	Eclarin, Ernesto P.	-4,927.13
12/31/14	DD 1267	Filice, James L.	-6,599.83
12/31/14	DD 1268	Hagins, Patrick M.	-4,866.49
12/31/14	DD 1269	Jackson, Patrick W.	-5,837.89
12/31/14	DD 1270	Malko, Kim A.	-2,660.56
12/31/14	DD 1271	Norman, III, Walter R.	-5,559.88
12/31/14	DD 1272	Padilla, David	-4,930.11
12/31/14	DD 1273	Porteur, Carol A.	-3,955.68
12/31/14	DD 1274	Ridenhour, Donald G	-9,882.06
12/31/14	DD 1275	Watson, Scott A.	-6,145.07
12/31/14	DD 1276	Zavala, Anabel G.	-4,227.76
12/15/14	20329	A Tool Shed	-26.54
12/15/14	20330	Ben Caputo Printing	-121.52
12/15/14	20331	Bianchi Kasavan & Pope, LLP	-154.00
12/15/14	20332	CM Analytical, Inc.	-687.50
12/15/14	20333	De Lay & Laredo	-2,070.50
12/15/14	20334	EBCO Pest Control	-55.00
12/15/14	20335	Kart-Man's, The	-871.56
12/15/14	20336	O'Reilly Auto Parts	-4.32
12/15/14	20337	P G & E	-19,644.61
12/15/14	20338	Radio Shack (Crystal T.V.)	-37.96
12/15/14	20339	San Benito County Water District	-233.00
12/15/14	20340	Voided Check	0.00
12/15/14	20341	Hill, Kathleen A	-246.05
12/15/14	20342	TRUDY BARKER- pmt. s/b for Sunnyslope Water i	-88.12
12/22/14	20343	A-1 Services	-403.00
12/22/14	20344	All Star Ready Mix, LLC	-390.60
12/22/14	20345	Bianchi Kasavan & Pope, LLP	-31.18
12/22/14	20346	Calcon System, Inc.	-897.50
12/22/14	20347	CM Analytical, Inc.	-6,807.50
12/22/14	20348	CWEA Membership- TCP	-475.00
12/22/14	20349	First Trust Alarm Company	-431.00
12/22/14	20350	Gabilan Welding, Inc.	-1,200.00
12/22/14	20351	Maverick Welding Supply, Inc.	-18.25
12/22/14	20352	MBS Business Systems	-2,574.70
12/22/14	20353	NH3 Service Company	-793.50
12/22/14	20354	Shape, Inc.	-1,068.29
12/22/14	20355	Stargazer Packaging	-473.49
12/23/14	20356	Postmaster	-249.76
12/29/14	20357	Brigantino Irrigation	-243.40
12/29/14	20358	Hollister Auto Parts, Inc.	-421.83
12/29/14	20359	NH3 Service Company	-897.00
12/29/14	20360	Palace Business Solutions	-1,322.88
12/29/14	20361	Petty Cash	-20.18
12/29/14	20362	Toro Petroleum Corp.	-918.65
12/31/14	20363	Employment Dev. Dept. (EDD) DE88 Pmts.	-7,269.22
12/31/14	20364	CalPERS - Retirement	-1,036.00
12/31/14	20365	Nationwide Retirements Solutions	-16,632.16
12/31/14	20366	United Way of Santa Cruz	-90.00
12/31/14	20367	ACWA/JPIA	-11,038.39
12/31/14	20368	CalPERS - Health Insurance	-13,633.08
12/31/14	20369	CalPERS - Retirement	-27,839.15
12/31/14	20370	Dearborn National Life Insurance Company	-256.00
12/31/14	20371	HealthSmart Benefit Solutions, Inc. (VSP)	-304.61
12/31/14	20372	Premier Access Insurance Co.	-2,871.11
12/29/14	20373	Voided Check	0.00
12/29/14	20374	Voided Check	0.00
12/29/14	20375	Voided Check	0.00
12/29/14	20376	Assoc. of Calif. Water Agencies (ACWA)	-11,045.00

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
12/29/14	20377	McGilloway, Ray, Brown & Kaufman	-11,000.00
12/29/14	20378	Postmaster	-38.40
12/29/14	20379	Postmaster	-1,928.94
01/05/15	20380	Ace Hardware (Johnson Lumber Co.)	-322.16
01/05/15	20381	AT&T	-241.39
01/05/15	20382	Corix Water Products	-730.69
01/05/15	20383	Everbank Commercial Finance, Inc.	-224.60
01/05/15	20384	Mc Master-Carr	-297.26
01/05/15	20385	Mission Uniform Service	-761.95
01/05/15	20386	National Meter & Automation, Inc.	-4,996.60
01/05/15	20387	NH3 Service Company	-856.75
01/05/15	20388	O'Reilly Auto Parts	-44.64
01/05/15	20389	Palace Business Solutions	-161.15
01/05/15	20390	Razzolink.com	-209.85
01/05/15	20391	Recology San Benito County	-126.03
01/05/15	20392	Shape, Inc.	-1,068.26
01/05/15	20393	Underground Service Alert	-105.00
01/05/15	20394	USA BlueBook	-1,568.35
01/05/15	20395	Verizon Wireless	-377.45
01/07/15	20396	San Benito County-Elections Dept.	-71.00
01/12/15	20397	JUDY ABRAHAM	-33.40
01/12/15	20398	BMC WP LLC	-150.00
01/12/15	20399	JANETTE BURKE	-68.25
01/12/15	20400	THOMAS & PATRICIA CARLSON	-91.06
01/12/15	20401	SETH & SARAH HOWELL	-34.14
01/12/15	20402	BO LELAND	-28.37
01/12/15	20403	ZAIRA MUNOZ	-133.61
01/12/15	20404	PIVETTI CO	-84.00
01/12/15	20405	THOMAS RUX	-71.08
01/12/15	20406	ERIC SCHEPER	-37.72
01/12/15	20407	SEATEC UNDERGROUND UTILITIES INC.,	-98.37
01/12/15	20408	AIDA TAVAREZ	-84.32
01/12/15	20409	Al's Septic Tank Service Inc.	-1,225.00
01/12/15	20410	AT&T	-276.79
01/12/15	20411	Bianchi Kasavan & Pope, LLP	-476.00
01/12/15	20412	Brigantino Irrigation	-46.60
01/12/15	20413	Don Chapin Co. Inc., The	-16,596.00
01/12/15	20414	Employee Relations, Inc.	-314.45
01/12/15	20415	GE Analytical Instruments, Inc.	-7,256.07
01/12/15	20416	Hach Company	-542.66
01/12/15	20417	P G & E	-17,876.70
01/12/15	20418	Postal Graphics (was Post Net)	-93.30
01/12/15	20419	San Benito County Water District	-179.00
01/12/15	20420	South Valley Internet, Inc.	-20.45
01/12/15	20421	Toro Petroleum Corp.	-786.90
01/12/15	20422	U.S. Bank Corporate Payment Systems	-517.53
01/12/15	20423	Wright Bros. Welding & Sheet Metal, Inc.	-201.60
Total Disbursements			<u>-318,356.62</u>

Upon motion made by Director Johnson, seconded by Director Meraz, and unanimously carried (5-0), the consent agenda was approved as presented.

G. NEW BUSINESS:

1. RECEIVE AUDIT REPORT/PRESENTATION BY PATRICIA KAUFMAN, CPA/PARTNER, WITH MCGILLOWAY, RAY, BROWN & KAUFMAN ON THE FOLLOWING AUDITS:

a. SUNNYSLOPE COUNTY WATER DISTRICT – For Year Ended 6/30/14:

Patricia Kaufman, CPA/Partner, with McGilloway, Ray, Brown, & Kaufman began her presentation by stating that the District received an unmodified audit opinion, which is the highest grade one can receive, and noted that it deserves acknowledgement and praise to the District's management. Ms. Kaufman pointed out on the Condensed Statement of Net Position that the District's total assets are up \$9.3M over last fiscal year; current assets are up over \$3.7M; long-term liabilities are up \$7.7M; and total net position went up \$2.2M.

While reviewing the Condensed Statement of Revenues, Expenses and Changes in Net Position, Ms. Kaufman stated that operating revenue is up due to water rate increases and the operating expenses are up as well, but overall income from operations is \$1.3M. Ms. Kaufman pointed out that the Government Accounting Standards Board (GASB) 65 no longer allows amortization of bond issue expense incurred for revenue bonds. Cathy Buck stated that the District has been amortizing the cost associated with its Bond over the term of the loan, and since that is no longer allowed, a prior period adjustment was necessary to expense the costs.

Ms. Kaufman stated that management is responsible for accounting policies; there were no difficulties in working with management in performing the audit; there were minor proposed adjustment journal entries, which they passed on requesting the District record; there were no disagreements with management; and they did not go out for consultation with other accountants. She reported that there were no material weaknesses, which is great for the District; and the firm made one recommendation which was discussed with management, and a both agreed it is not material but will look at going forward, which is for water sold but unbilled at the close of the fiscal year.

Ms. Kaufman commented that next year, GASB will require the pension liability be stated on the Financials, and the following year, other post-employment benefits liability will be required.

b. HOLLISTER-SUNNYSLOPE WATER TREATMENT AGENCY – For Year Ended 2/28/14:

Ms. Kaufman began her presentation stating that the firm has an unmodified opinion and the emphasis of matter, is the dissolution of the Joint Powers Agreement between the City of Hollister and Sunnyslope County Water District. Ms. Kaufman stated there was no issues with management, no management letter, and everything looked at was done well.

Upon motion made by Director Meraz, seconded by Director Villalon, and unanimously carried (5-0), the Board accepted the Audit Reports issued by Patricia Kaufman, CPA/Partner, with McGilloway, Ray, Brown, & Kaufman for Sunnyslope County Water District's fiscal year ended 6/30/14, and Hollister-Sunnyslope Water Treatment Agency's fiscal year ended 2/28/14.

2. **AUTHORIZE THE GENERAL MANAGER TO LEASE AND PURCHASE MATERIALS AND EQUIPMENT TO REPLACE EQUIPMENT DOWN FOR REPAIR AT THE RIDGEMARK WASTEWATER TREATMENT PLANT FOR AN AMOUNT NOT TO EXCEED \$45,000:** General Manager/Secretary Ridenhour explained that on Wednesday, January 7th, the District experienced a failure of equipment that is essential to operating our Ridgemark Wastewater Treatment Plant. A portable air compressor has been brought in to allow the plant to operate until our equipment is repaired. The equipment failure includes three air blowers that add air to the treatment

basins at the plant and we believe their repair is covered by warranty. We need one of the air blower units to operate the plant and have two spares for redundancy and to allow time for repairs. The first air blower unit failed in November and we have reported this to the Board at previous Board Meetings. The cost of the repair is being covered by the equipment supplier. The District is still waiting for this unit to be repaired and the 2nd and 3rd units failed on January 7, 2015. These latest failures are resulting in significant overtime and costs to plumb and operate a temporary diesel air compressor unit that has been leased to keep the wastewater treatment plant operational. Mr. Ridenhour has had and continues to have discussions with the designer of the treatment plant, consulting engineering firm RMC, the designer of the treatment equipment (Sanitaire), and the supplier of the air blowers (Atlas Copco) regarding these costs and what changes in equipment and operating procedures need to be in place to ensure this does not happen again. These discussions are just beginning and a resolution on the costs and changes are still in the earliest stages of being negotiated. Board discussion was held regarding the warranty of the equipment and the rental of replacement equipment while repairs are being done.

The District's wastewater treatment plant is operational, but the treated effluent water quality may exceed State requirements due to the emergency. The State Regional Water Quality Control Board is being kept informed and we do not know how they will respond if we exceed our water quality requirements. The State is pleased with our current response to the emergency. General Manager/Secretary Ridenhour complimented the maintenance staff for their creativity in putting together the necessary equipment to keep the plant running during the time that the blowers failed and they were able to bring in a rental compressor.

General Manager/Secretary Ridenhour stated that due to the fact that three blowers failed within a short span, that possibly the blowers originally installed are not appropriate for our application and adjustments will need to be made in how they are operated, once reinstalled.

The rental rate for the diesel air compressor is approximately \$24,000 per month and the costs for fueling the air compressor is approximately \$20,000 per month. Staff is working with the parties mentioned above to install a less expensive interim solution and to expedite the repair of the air blowers that have failed. The designers and equipment suppliers are being very responsive to our needs and assisting the District with both temporary response and with permanent solutions to our equipment failure emergency. Representatives are visiting our treatment plant on January 14th to review the site and help formulate a plan. Staff does not know what the total cost to respond to the emergency will be but anticipate it could be \$45,000 over the next month if repairs to the existing blowers cannot be expedited. General Manager/Secretary Ridenhour stated that he will provide an update to the Board via email and will provide a formal status at the February Board Meeting.

Director Johnson made a motion to increase the amount to \$60,000 to assure that there would be enough funds to insure proper maintenance of the plant for the health, safety, and welfare of residents in the area, however, for a lack of a second, the motion failed.

Upon motion made by Director Villalon, seconded by Director Meraz, and carried 4-1 (Director Johnson – voting no) the Board authorized the General Manager to lease and purchase materials and equipment to replace equipment down for repair at the Ridgemark Wastewater Treatment Plant for an amount not to exceed \$45,000.

H. BOARD COMMITTEE and STATUS REPORTS

1. **Governance Committee:** General Manager/Secretary Ridenhour reported no meeting was held this past month and the next meeting is tentatively scheduled for February 10th.
2. **Water/Wastewater Committee:** General Manager/Secretary Ridenhour reported that the committee met on January 19th to discuss the emergency blower failure at the Ridgemark Wastewater Treatment Plant; and the request for bids for the rehabilitation of the Ridgemark and Fairview water tanks, stating that there will be a walk through on January 23rd with bids due February 6th , and hopeful to award the contract in February.
3. **Finance Committee:** Director Meraz reported no meeting was held.
4. **Policy and Procedure Committee:** General Manager/Secretary Ridenhour reported no meeting was held, but stated he will be setting up a meeting to discuss the fee updates that will accompany the water code updates, which he hopes to bring to the Board for approval at the February meeting.
5. **Personnel Committee:** Director Meraz reported no meeting was held.
6. **Water Resources Association of San Benito County (WRA):** Director Johnson reported a meeting is scheduled for February 5th at 1:30 p.m.
7. **Operation Summary, Statement of Income, Investment Summary, Maintenance Staff, City Meter Reading, and Groundwater Level Measurement Reports:** Finance and Human Resource Manager Cathy Buck prepared a narrative report on the Operations Summary (thru December 31, 2014), Statement of Income (thru November 30, 2014), and Investment Summary (thru December 31, 2014). President Hill commented that customers conservation of water has decreased the District's income, but the District is still on track with budget.

The District's Investment Summary report reflects the total cash balance as of December 31, 2014 of \$8,203,638.02, which includes six-months earned interest totaling \$6,019.20. Ms. Buck pointed out that cash in the checking account is still holding strong, even after investing \$300,000 in the new \$1.5M Heritage Bank of Commerce CD (with the remaining \$1.2M coming from LAIF).

Water/Wastewater Superintendent Jim Filice reviewed the December 2014, Maintenance Staff Report and mentioned our newest employee in the Maintenance department, Troy Quick, started with the District on January 5th; and that staff has been spending a great deal of time at the Lessalt Water Treatment Plant learning to operate and fine tune the plant after the upgrade. Director Alcorn inquired about #14, continuing to work with Telstar to program the SCADA, and Mr. Filice stated that Telstar has been working on a punch list. Director Villalon inquired about #17, working with First Trust Alarm at the Ridgemark Wastewater Treatment Plant on the main fire alarm/tamper contacts, and Mr. Filice stated that over the past year, the plant has been getting a "tamper" alarm when the valves are closed and First Alarm is trying to remedy the problem. President Hill inquired about the flushing of the fire hydrants being on suspension due to the drought and asked if that could cause problems with the hydrants, Mr. Filice responded that if left too long, it could become a problem, but at this point they are fine.

Review of the Meter Reading Report for the period November 12, 2014 to December 15, 2014, reflects the intertie meter data indicates the City received 20.3% of Lessalt water, while the District received 79.7%. He reported that the amount of water owed by the City is going down.

Water/Wastewater Superintendent Jim Filice reviewed the groundwater level report and noted the wells are holding steady.

8. **Active Tasks Update:** General Manager/Secretary Ridenhour reported that Assistant Engineer Rob Hillebrecht started with the District on January 5th, and is being exposed to all the various tasks and issues of the District. Mr. Ridenhour stated that since the Lessalt upgrade is complete he will be putting together an outreach program to make the customers in the Ridgemark, Quail Hollow and Oak Creek area aware that with the water they are now receiving from the Lessalt Plant, they no longer need to use their water softeners. He also reported that sewer manhole repairs are complete; and that he is participating in the meetings and discussions with the City of Hollister and their consultant team to hear their options and provide input regarding Chromium 6 regulations. Mr. Ridenhour stated that District staff will begin the quarterly testing of Well #7, and will be developing a blending plan for Well #7 water pumped since the discharge for Chromium 6 exceeded requirements in December.

I. BOARD and STAFF REPORTS

1. **Directors:** No report.
2. **District Counsel:** No report.
3. **Finance and Human Resource Manager:** Union Bank signature cards are ready for Board signature, which we were able to take care of prior to the start of the meeting.
4. **General Manager:** General Manager/Secretary Ridenhour reported that he will be preparing a memo to all of the Directors regarding his evaluation which will be discussed in closed session at the February Board meeting.

J. FUTURE AGENDA ITEMS: Update District's codes; General Manager's evaluation; blower failure at the Ridgemark Wastewater Treatment Plant; and awarding a contract for the rehabilitation of the Fairview and Ridgemark tanks.

K. ADJOURNMENT: Upon motion made by Director Johnson, seconded by Director Villalon, and unanimously carried (5-0), the meeting was adjourned at 6:47 p.m.

APPROVED BY THE BOARD: s/ Kathleen A. Hill
Kathleen A. Hill, President

RESPECTFULLY SUBMITTED: s/ Donald G. Ridenhour
Donald G. Ridenhour, Secretary