

**MINUTES
BOARD OF DIRECTORS
SUNNYSLOPE COUNTY WATER DISTRICT
September 19, 2017**

- A. CALL TO ORDER:** The meeting was called to order at 5:15 p.m. by President Johnson, at the Sunnyslope County Water District office, 3570 Airline Highway, Hollister, California.
- B. ROLL CALL: Present:** President Judi Johnson; Directors; Mike Alcorn, Robert J. Rodriguez II, Ann Ross, and Honor Spencer.
- C. PLEDGE OF ALLEGIANCE:** San Benito High School student, Jennifer Barbosa led Directors, staff, and public in the Pledge of Allegiance.
- D. APPROVAL OF AGENDA:** Upon motion made by Director Alcorn, seconded by Director Rodriguez, 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: Attorney Heidi Quinn, Executive Assistant/Stenographer Carol Porteur; Finance and Human Resource Manager Cathy Buck, Water/Wastewater Superintendent Jim Filice, and Assistant Engineer Rob Hillebrecht. **Absent:** General Manager/Secretary Don Ridenhour.

F. CONSENT AGENDA:

- 1. Approval of Minutes – for the Regular Meeting of August 15, 2017.
- 2. Allowance of Claims– to ratify disbursements for the period from August 8, 2017 through September 11, 2017, totaling \$1,923,226.89, which includes \$1,569,874.49 for payments to vendors and employees, \$352,144.24 paid to the City of Hollister for amounts collected from their customer’s for City sewer billings net of our fees, and \$1,208.16 for customer refunds and deductions for customer checks returned for insufficient funds. The last check written as of September 11, 2017 was check #23443.

The list of disbursements is as follows:

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
08/14/17	ACH 0989	Intuit, Inc.	-126.54
08/17/17	ACH 0990	RETURNED ACH (Ret. ACH 08-01)	-148.74
08/17/17	ACH 0991	RETURNED CHECK (Ret. Ck 08-02)	-169.12

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
08/31/17	ACH 0992	EFTPS	-27,384.14
08/31/17	ACH 0993	Employment Dev. Dept. (EDD) DE88 Pmts.	-10,371.82
08/31/17	ACH 0994	CalPERS - Retirement	-1,036.00
08/31/17	ACH 0995	CalPERS - Retirement	-1,949.48
08/31/17	ACH 0996	CalPERS - Retirement	-26,695.27
08/31/17	ACH 0997	CalPERS - Retirement	-700.00
08/31/17	ACH 0998	CalPERS - Health Insurance	-13,437.01
08/25/17	ACH 0999	Union Bank of California, N.A. (SF)	-698.87
08/21/17	ACH 1000	RETURNED CREDIT CARD (Ret. CC 08-01)	-156.92
08/21/17	ACH 1001	RETURNED CREDIT CARD (Ret. CC 08-02)	-148.74
09/05/17	ACH 1002	Merchant Services	-2,651.49
09/05/17	ACH 1003	Merchant Services	-237.27
08/31/17	DD 2010	Alvarez, Abel	-5,296.04
08/31/17	DD 2011	Boltz, William K	-6,016.86
08/31/17	DD 2012	Brill, Kelly L.	-4,620.56
08/31/17	DD 2013	Buck, Cathy L.	-6,626.40
08/31/17	DD 2014	Burbank, Jr., Dee J.	-4,295.77
08/31/17	DD 2015	Castro, Kevin G.	-5,697.55
08/31/17	DD 2016	Chavez, Jr., Manuel T.	-6,539.65
08/31/17	DD 2017	Eclarin, Ernesto P.	-6,106.89
08/31/17	DD 2018	Filice, James L.	-7,114.34
08/31/17	DD 2019	Hagins, Patrick M.	-1,568.95
08/31/17	DD 2020	Hernandez, Bazilio	-4,950.38
08/31/17	DD 2021	Hillebrecht, Robert B.	-4,029.65
08/31/17	DD 2022	Jackson, Patrick W.	-5,607.59
08/31/17	DD 2023	Malko, Kim A.	-3,403.87
08/31/17	DD 2024	Norman, III, Walter R.	-4,661.43
08/31/17	DD 2025	Padilla, David	-5,863.60
08/31/17	DD 2026	Porteur, Carol A.	-4,255.41
08/31/17	DD 2027	Quick, Troy E.	-4,843.22
08/31/17	DD 2028	Ridenhour, Donald G.	-10,244.18
08/31/17	DD 2029	Sanchez, Ricardo A.	-4,543.83
08/31/17	DD 2030	Watson, Scott A.	-6,172.14
08/31/17	DD 2031	Zavala, Anabel G.	-4,807.58
08/14/17	23350	Jackson, Patrick W.	-150.00
08/14/17	23351	Bianchi Kasavan & Pope, LLP	-960.00
08/14/17	23352	Brigantino Irrigation	-105.63
08/14/17	23353	Calgon Carbon Corporation	-41,257.88
08/14/17	23354	Calif. Clean Energy LLC	-2,575.55
08/14/17	23355	EBCO Pest Control	-60.00
08/14/17	23356	John Smith Road Landfill	-1,504.20
08/14/17	23357	Mark Nicholson, Inc.	-6,907.42
08/14/17	23358	PAPA	-80.00
08/14/17	23359	Toro Petroleum Corp.	-1,515.29
08/14/17	23360	Trans Union LLC	-139.69

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
08/21/17	23361	Castro, Kevin G.	-150.00
08/21/17	23362	KIM & SEAN BRANDON	-14.02
08/21/17	23363	ELAINE & KENNETH KOVANDA	-212.42
08/21/17	23364	MARTHA SAAVEDRA & MARTHA RUIZ	-20.83
08/21/17	23365	WILLIAM WOODALL	-12.21
08/21/17	23366	Hillebrecht, Robert B.	-150.00
08/21/17	23367	A-1 Services	-403.00
08/21/17	23368	All Star Ready Mix, LLC	-2,183.63
08/21/17	23369	Backflow Apparatus & Valve Co. (BAVCO)	-101.49
08/21/17	23370	Bracewell Engineering, Inc.	-126.00
08/21/17	23371	Brenntag Pacific, Inc.	-2,721.73
08/21/17	23372	De Lay & Laredo	-2,100.00
08/21/17	23373	Downtown Automotive	-280.50
08/21/17	23374	Konica Minolta Premier Finance	-412.91
08/21/17	23375	Mc Master-Carr	-616.04
08/21/17	23376	San Benito County Water District	-482.50
08/21/17	23377	San Benito County Water District	-4,043.76
08/21/17	23378	City of Hollister-Finance Dept	-352,144.24
08/22/17	23379	DARIN LEE PELLIN	-325.16
08/22/17	23380	Postmaster	-230.37
08/28/17	23381	WaterWisePro Training	-200.00
08/28/17	23382	American Water Works Assoc. CA-NV Section	-80.00
08/28/17	23383	AT&T	-398.31
08/28/17	23384	Auto Tech Service Center, Inc.	-291.00
08/28/17	23385	Brigantino Irrigation	-169.51
08/28/17	23386	Fastenal Company	-14.67
08/28/17	23387	Ferguson Enterprises, Inc.	-88.37
08/28/17	23388	Hach Company	-880.43
08/28/17	23389	Mid Valley Supply	-316.60
08/28/17	23390	Palace Business Solutions	-1,067.23
08/28/17	23391	Pinnacle Agriculture	-847.50
08/28/17	23392	Postmaster	-98.40
08/28/17	23393	Quinn Company	-1,210.99
08/28/17	23394	Razzolink.com	-132.90
08/28/17	23395	San Benito County Chamber of Commerce	-255.00
08/28/17	23396	State Water Resources Control Board-DWOCP	-330.00
08/28/17	23397	Toro Petroleum Corp.	-1,020.68
08/28/17	23398	Verizon Wireless	-355.12
08/28/17	23399	Postmaster	-1,947.27
08/28/17	23400	State Water Resources Control Board-DWOCP	-65.00
08/28/17	23401	State Water Resources Control Board-OOC	-170.00
08/31/17	23402	Nationwide Retirements Solutions	-22,231.20
08/31/17	23403	Dearborn National Life Insurance Company	-352.00
08/31/17	23404	HealthSmart Benefit Solutions, Inc. (VSP)	-296.58
08/31/17	23405	Premier Access Insurance Co.	-2,894.17

<u>Date</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
08/31/17	23406	Petty Cash	-17.43
09/05/17	23407	Boltz, William K	-150.00
09/05/17	23408	Ace Hardware (Johnson Lumber Co.)	-972.64
09/05/17	23409	AT&T	-309.38
09/05/17	23410	Borges & Mahoney, Inc.	-66.41
09/05/17	23411	Brenntag Pacific, Inc.	-9,415.83
09/05/17	23412	Brigantino Irrigation	-239.14
09/05/17	23413	Central Ag Supply LLC	-587.55
09/05/17	23414	CM Analytical, Inc.	-8,055.00
09/05/17	23415	Corix Water Products	-4,478.78
09/05/17	23416	CWSRF Accounting Office	-759,974.56
09/05/17	23417	Edges Electrical Group, LLC	-212.62
09/05/17	23418	Grundfos CBS Inc.	-1,105.00
09/05/17	23419	Hollister Powersports	-105.00
09/05/17	23420	Mc Master-Carr	-71.72
09/05/17	23421	Mission Uniform Service	-1,132.19
09/05/17	23422	O'Reilly Auto Parts	-12.51
09/05/17	23423	P G & E	-25,058.90
09/05/17	23424	Postal Graphics (was Post Net)	-45.32
09/05/17	23425	Toro Petroleum Corp.	-1,406.29
09/05/17	23426	USA Blue Book	-955.71
09/11/17	23427	Analytical Technology, Inc.	-168.05
09/11/17	23428	AT&T	-227.32
09/11/17	23429	Auto Tech Service Center, Inc.	-458.51
09/11/17	23430	Bianchi Kasavan & Pope, LLP	-495.00
09/11/17	23431	Central Ag Supply LLC	-1,216.38
09/11/17	23432	City of Hollister-Finance Dept	-156.72
09/11/17	23433	Hach Company	-1,076.15
09/11/17	23434	Hollister Auto Parts, Inc.	-132.19
09/11/17	23435	Hollister Safe & Lock Inc.	-54.13
09/11/17	23436	Mc Master-Carr	-534.64
09/11/17	23437	Quinn Company	-512.19
09/11/17	23438	Recology San Benito County	-128.51
09/11/17	23439	San Benito County Water District	-178,876.16
09/11/17	23440	South Valley Internet, Inc.	-20.45
09/11/17	23441	Toro Petroleum Corp.	-106.45
09/11/17	23442	Trans Union LLC	-84.52
09/11/17	23443	San Benito County Water District	-263,730.84
Total Disbursements			<u>-1,923,226.89</u>

President Johnson asked Finance Manager Cathy Buck to explain the reason for multiple checks payable to the same vendor and Ms. Buck explained that occasionally invoices are not received in time to be paid with other invoices to the same vendor, so a separate check is necessary, either to meet the due date or to take advantage of a discount.

President Johnson also asked about check #23439 and #23443 payable to San Benito County Water District. Ms. Buck explained that #23439 in the amount of \$178,876.16 was to pay Sunnyslope's share of the Lessalt Water Treatment Plant Operation & Maintenance (O&M) Billing "True-Up" at June 30, 2017 for expenses and labor, as well as some West Hills Water Treatment Plant O&M expenses at June 30, 2017. Check # 23443 in the amount of \$263,730.84 was for the July 2017 Water Supply & Treatment Agreement billing, which includes payments for Tranche 1, 2, & 3 financing cost, our share of raw water purchased for treatment, power, and Lessalt WTP and West Hills WTP O&M cost.

President Johnson asked several other questions on the Disbursement Summary which were satisfactorily answered by Cathy Buck and Jim Filice.

Upon motion made by Director Rodriguez, seconded by Director Ross, and carried 5-0, the consent agenda was approved as presented.

G. NEW BUSINESS:

- 1. CONSIDER APPROVAL OF RESOLUTION NO. 548, DESIGNATING HERITAGE BANK OF COMMERCE AN OFFICIAL DEPOSITORY:** Finance Manager Cathy Buck explained that the District passed Resolution No. 354 in February, 1985, designating Bank of America NT & SA, Hollister Branch, and San Benito Bank, Hollister as Co-Depositories for the District's funds. Both banking institutions were authorized to receive funds of the District. San Benito Bank changed its name to Santa Barbara Bank & Trust sometime in 2011, and was subsequently acquired by Union Bank, N.A. in late 2012. The District no longer has any funds on deposit with Bank of America and has not used them for years. The District's checking account with Union Bank is an "analyzed" account, and when Union Bank took over, the District's fees were based on a special, favorable fee structure.

In April, 2017, we received a letter from Union Bank stating that the bank was going to be changing our discount prices to standard prices effective June 1, 2017. Their standard fees are more appropriate for government entities much larger than us, and are exorbitant for an entity of our size. Union Bank dropped our earnings credit rate from 0.35% to 0.04% for our May, 2017 analyzed statement (not June like the letter had said), leaving us with an earnings deficit for the month of May of \$849.13. The bank agreed to reinstate our 0.35% earnings credit rate, but they are not relenting on charging us their standard fee structure. As an example, they went from charging us \$5.00 for mailing us an account analysis statement to \$50.00 and from charging us \$0.00 for an ACH web monthly base fee to \$100.00. The result is that we were charged fees \$663.56 for June, 2017, and

\$698.87 for July, 2017. The monthly fees will continue with Union Bank. The reason for Union Bank's position is that we are a small depositor in the "government" sector of their business, and back in 2008 regulations changed on how they are required to collateralize government funds, making it very expensive for them to have our funds on deposit.

In February, 2017, we asked both Heritage Bank of Commerce and Rabobank, N.A. to review our banking activity and provide us with proposals for what they would charge us for our depository account business. Both banks came back with favorable proposals that would leave us with excess earnings credit (cost us \$0.00 in fees). One drawback that we could face with using Rabobank, N.A. is that they are a large bank and we could be in the same boat down the road, where collateralizing our deposits will make us too expensive for them to want our business. Heritage Bank of Commerce is large enough to give us good security, but not large enough to be subject to the same banking requirements that Union Bank and Rabobank must meet, and we already have a banking relationship with them with two Certificates of Deposit for over \$2.5 million.

If the proposed Resolution is approved, the Secretary/General Manager will then execute a depository agreement with Heritage Bank, open a new checking account, and start the process of closing the checking account with Union Bank.

Upon motion made by Director Rodriguez, seconded by Director Spencer, and carried 5-0, the Board approved Resolution No. 548, designating Heritage Bank of Commerce an Official Depository for the District.

2. **CONSIDER AMENDING POLICY #8100.1 TO UPDATE THE SPENDING AUTHORIZATION LIMITS IN THE PURCHASING POLICY:** Finance Manager Cathy Buck stated that the District's Purchasing Policy was approved on September 8, 2011, and amended on September 15, 2015. The policy established \$5,000 as the purchasing limit for the General Manager before requiring Board approval. It also established ranges for when quotations, competitive bids, and formal bids would be required; \$1,000-\$5,000 for quotations from two or more sources, \$5,000 to \$25,000 for at least three competitive bids, and over \$25,000 for formal bids.

As time has passed, and prices have continued to climb, we are finding that common items purchased on a regular basis are exceeding the \$5,000 limit on a more regular basis, making it less efficient to conduct District business on a timely basis. The Policy and Procedures Committee met on August 24th and discussed the spending limits in the purchasing policy.

The Policy and Procedures Committee is recommending that the General Manager's upper purchasing limit be increased from \$5,000 to \$10,000. There are a few other minor modifications recommended by the Committee, which include the following changes to section 8100.1 of the Purchasing Policy:

1. 8100.1 A. 1. – insert “, and/or practical” to the end of the first sentence;
2. 8100.1 B. – change \$5,000 to \$10,000;
3. 8100.1 C. – change \$5,000 to \$10,000;
4. 8100.1 C. 1. – change \$5,000 to \$10,000 and \$25,000 to \$40,000; and
5. 8100.1 C. 2. – change \$25,000 to \$40,000.

Director Alcorn reported that the Policy and Procedures Committee discussed the necessity for staff to operate more efficiently due to the increasing costs and the need to increase the purchasing limit for the General Manager. The Committee suggested changing the \$5,000 to \$10,000 and \$25,000 to \$40,000. President Johnson stated that she would not vote against the increase to \$10,000 but would like to see the amount increased to \$15,000 because she feels that staff does a very good job keeping the Board informed on what is being purchased for the District and the rising costs may require the Board to re-visit the limits sooner than expected. Director Alcorn replied that his feeling was that more latitude requires more rule structure, so the limits suggested should be sufficient for the present time, and if need be, the Board would re-evaluate at a later date.

Upon motion made by Director Spencer, seconded by Director Alcorn, and carried 5-0, the Board amended Policy #8100.1 to update the spending authorization limits in the Purchasing Policy as proposed.

3. CONSIDER MODIFICATIONS TO STANDING COMMITTEES, THEIR DUTIES, AUTHORIZE LEGISLATIVE & REGULATORY ADVOCACY OR OPPOSITION, AND REVIEW DIRECTOR ASSIGNMENTS BY THE

PRESIDENT: Finance Manager Cathy Buck explained that the Board President annually appoints Directors to serve on several standing committees. The existing committees, their function, and assignments are included for Directors review. The President has expressed interest in visiting the need, duties, and function of each committee. The Board should review the duties of each committee, consider if committee duties warrant modification, and/or if they should be merged with others committees for efficiency.

Staff met with the Policy & Procedures Committee in August and discussed legislative and regulatory advocacy authorization for the General Manager. The General Manager brought this to the Committee's attention because often the Association of California Water Agencies (ACWA) and other groups or organizations request letters of support or

opposition to legislation and other issues that could impact the District's services. These requests for support or opposition often come with short lead times that make it impossible to bring to a regularly scheduled Board Meeting to discuss and receive authorization. The Policy & Procedures Committee recommended a policy allowing the General Manager to bring legislative and regulatory issues to a Committee level for approval prior to sending letters of support or opposition. Delegating this authority to the Policy & Procedures Committee will stream line the process and allow the District to offer a timely opinion in several important issues throughout the State. Controversial issues where support or opposition was uncertain would be brought to the full Board for approval as determined by the Policy & Procedures Committee.

President Johnson explained that she did not understand the need for two separate committees, the Water and Wastewater Committee and the Governance Committee, and suggested eliminating the Governance Committee since both committees have the same representatives. After discussion, it was agreed that the Governance Committee will not meet nearly as often in the future as it has in the past. Director Alcorn suggested that the District's representation on the Governance Committee could be a task of the Water/Wastewater Committee.

Director Alcorn stated that he would like to see the Policy & Procedures Committee be the committee involved overseeing the District's interests at the legislative level and authorize the General Manager respond for the District on matters that come up unexpectedly and are not able to take to the full Board for approval.

The Board requests staff come back to the next board meeting with an updated written standing committee description and assignment listing to be on the agenda for approval.

H. BOARD COMMITTEE and STATUS REPORTS

1. **Governance Committee:** No meeting.
2. **Water/Wastewater Committee:** No meeting.
3. **Finance Committee:** No meeting.
4. **Policy and Procedure Committee:** Director Alcorn reported a meeting was held on August 24th to discuss the subjects of Agenda items G-1, G-2, and G-3 of today's meeting.
5. **Personnel Committee:** No meeting.

6. **Water Resources Association of San Benito County (WRA):** Director Ross reported that a meeting was held on September 7th. A report was given on the West Hills Water Treatment Plant, and the wait for obtaining the permit to get the plant in full operation. There was also discussion on water softeners and the rebate program.
7. **Operation Summary, Statement of Income, Investment Summary, Maintenance, City Meter Reading, and Groundwater Level Measurement Reports:** Finance and Human Resource Manager Cathy Buck reported that she has prepared her monthly written narrative report on the Operations Summary (thru August 31, 2017), Statement of Income (thru June 30, 2016 and July 31, 2017), and Investment Summary (thru August 31, 2017). Ms. Buck stated that she included the Fiscal Year Ending June 30, 2017 Statement of Income for the Board's review, and that the year-end audited financial statements will be coming out soon. There were no questions.

The District's Investment Summary report reflects the total cash balance as of August 31, 2017 of \$10,657,766.77, which includes posted interest totaling \$9,778.63 (two months interest on the CDs, and third quarter interest on the LAIF investment that posted in July). Cathy Buck reported that the checking account balance is slightly higher than normal, however, the funds are needed for our nearly \$760,000 SRF Loan payment that is due in September.

Water/Wastewater Superintendent Jim Filice reported on the August 31, 2017 Maintenance Staff Report, and asked the Board if there were any questions and there were none. Mr. Filice reported that the West Hills Water Treatment Plant will begin running twenty-four hours a day, beginning this evening.

In review of the Meter Reading Report for the period of July 17, 2017 to August 16, 2017, the intertie meter data indicates the City received 15.2% of Lessalt Water Treatment Plant water, while the District received 84.8%.

8. **Active Tasks Update:** Assistant Engineer Rob Hillebrecht went through the General Manager's active tasks report, and noted that the State and the Bureau of Reclamation have requested water agencies to support the Delta Bypass Tunnels project and commit to the costs of the project. Staff is planning a joint meeting with San Benito County Water District and the City of Hollister to allow all the elected officials to receive a report and discuss our local options. A meeting is tentatively planned for the first week in October.

Mike Cullinan has prepared an appraisal of the easement through the High School property for the Cross-town Pipeline and he plans he plans to meet with the High School

staff for negotiations. The Mormon Church has refused to sell an easement and Mr. Ridenhour is currently working with a nearby development for another possible pipeline location. The design is underway with Kennedy/Jenks.

Mr. Hillebrecht stated that a conditional permit to operate the West Hills Water Treatment Plant has been granted and water deliveries to the City began on September 18th. A public open house at the plant is planned for Saturday, November 4th.

LAFCO and sewer service are still unresolved. Additional development is requesting exemptions to obtain sewer service outside the City's sphere of influence. LAFCO's indemnification requirement is holding up the Sunnyside Estates exemption approval.

Assistant Engineer Hillebrecht stated that staff continues to wait for official correspondence and direction from the State on the Chromium 6 issue. Staff will put Well #7 and Well #8 back on line for normal use once we receive official direction from the State. A new Chromium 6 regulation is anticipated in 18 to 24 months and staff will wait to see what the new regulation requires.

Mr. Hillebrecht reported that a revised lease was prepared for the Verizon Antenna Site, and was reviewed by District's legal counsel and has been forwarded to Verizon. Rent and improvement terms in the agreement have been significantly revised from the January 2016 version.

I. BOARD and STAFF REPORTS

1. **Directors:** Director Alcorn reported that he received a letter from Santa Clara Valley Water District expressing their appreciation for supporting the Proposition 1 Water Storage Investment Program Application for Expansion of Pacheco Reservoir.
2. **District Counsel:** No report.
3. **Finance and Human Resource Manager:** Cathy Buck reported that the fiscal year 2016/17 audit is complete and she has received comments back on the first draft of the Financial Statements, which will be updated and returned to the audit firm for finalization.
4. **Assistant Engineer:** Rob Hillebrecht reported that Hillcrest Meadows and Del Curto Brothers developments are close to hooking up to the District.
5. **General Manager:** Absent, no report.

J. FUTURE AGENDA ITEMS: The following agenda items will be brought to future meetings: modifications to Standing Committees, potential dates for mandatory Board training, and presentation of the fiscal year 2016/17 audited financial statements.

K. ADJOURNMENT: President Johnson adjourned the meeting at 6:20 p.m.

APPROVED BY THE BOARD: *s/ Judi H. Johnson*
Judi H. Johnson, President

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