

**SOQUEL CREEK WATER DISTRICT  
REGULAR MEETING MINUTES  
June 18, 2013**

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**1. Roll Call & Teleconferencing**

Dr. Bruce Jaffe – Hotel Windrose, Via Gaeta, 39 00185 Rome, Italy

President LaHue called the regular meeting to order at 7:08 p.m.

**Board Members Present:**

Dr. Thomas LaHue, President

Bruce Daniels

Dr. Don Hoernschemeyer

Rick Meyer

**Staff Members Present:**

Taj Dufour, Interim General Manager

Bob Bosso, District Counsel

Mike Wilson, Interim Engineering Manager

Roy Sikes, Water Conservation Specialist

Shelley Flock, Staff Analyst

Michelle Boisen, Financial/Business Services Manager

Leslie Strohm, Accounting Supervisor

Christine Mead, Operations and Maintenance Manager

Denise Alexander and Karen Reese, Executive Assistant/Board Clerk

**Staff Members Absent:**

Ron Duncan, Conservation & Customer Service Field (CCSF) Manager

**Others Present:**

Alex Handlers of Bartle Wells Associates

36 members of the public

**2. APPROVAL OF MINUTES**

June 4, 2013

Seven Minor corrections were noted.

The motion for Item 6.7 should read, ***“To appoint President LaHue and Director Meyer as the oversight representatives”***.

Item 6.8, Paragraph 4 should read ***“x% in the tests”***.

MOTION: Director Daniels: Second: Director Meyer: To approve the June 4, 2013 minutes as modified. The Motion passed by a unanimous roll call vote.
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**3. ORAL COMMUNICATIONS**

John Ricker, County Water Resources Division Director, County Environmental Health Services let the Board know that the County amended the water conservation ordinance giving the County the authority to implement the retrofit on resale. This will go back to the Board of Supervisors for final adoption next Tuesday and be in effect within 30 days.

A member of the public stated he was a water treatment technician for 21 years. He urged the Board to look into Enpro AES, a company located in Norway that

uses the process of taking seawater, combining with carbon dioxide and ammonia as a catalyst to break up the bond between sodium and chlorine, a process developed in 1990. Perhaps this would be a way for Soquel Creek Water District to do their own desalination plant in Soquel. He urged the Board to look at this information online or send someone to Norway to look into it. He noted a book published by UCSC that talked about 2 dozen sinkholes and caves and asked where the water is going. Apparently, the water is disappearing into the ocean past the intake structure of the city. It seems to him that water is wasted and perhaps it should be used for providing water to UCSC and that someone should look into that.

Director Hoernschemeyer noted this is referred to as forward osmosis and is interesting. It is being developed in this country, and there are publications dealing with this.

Ms. Cherie Bobbe commented that CEQA code section 15126.2 makes no distinction from direct and indirect impacts when you evaluate the level and severity of those impacts. In growth inducing impacts, which is section 6 of the dEIR, it discusses the way in which a project fosters economic or population growth or the construction of additional housing either directly or indirectly in the surrounding environment. Included in this are projects that would remove obstacles to population growth such as a major expansion of a wastewater treatment plant. She asks what is the difference between a major desal plant and a major wastewater plant. In addition, charts shown at the Seacliff Inn meeting indicate no direct or indirect fostering of growth from this desal plant. The dEIR in section 6 (page 34) states that the proposed project will foster growth but then it concludes its ok because growth has already been planned for anyway. She stated that you could plan all you want but if you don't have water, you can't execute that planned growth. She would like those charts corrected because indirect fostering of growth is a very important matter to her.

The Board asked that Ms. Bobbe submit these as comments to the EIR which she intends to do.

President LaHue asked Mr. Bosso about the fairly clear language that you can't use water as a way to plan growth. At what point is normal economic development supported in a general plan and when does it become growth inducing. Mr. Bosso asked the question is the water needed for the planned growth or is the water and sewer creating the growth.

Director Meyer commented that in the District growth is so small that every single request for a new meter comes directly to the entire Board. There were seven such new connections approved last year out of a total customer base of 14,000. That represents a growth of .05% so there is negligible growth occurring in the District and the District's need for the desal water is to recharge the aquifers and not to deal with the tiny number of people that come before the Board.

Ms. Bobbe referred to the Aptos Village plan stating it includes a lot of new housing.

Director Daniels returned from a trip to France and presented slide of a reservoir that was built because they had drought problems. The reservoir he referenced was built in 1646, showing how far back water problems go.

Director Daniels and President LaHue met with The Surfrider Foundation and presented information about water conservation. He presented information looking at how much conservation has been done, how much remains and the alternatives and what they call for. He stated 70% of the water usage is in the home and the District has done many of the conservation measures already. In addition, between 2008 and 2009 the financial collapse caused water usage to drop drastically between 10-16%. If you look at what is being asked of people, the city is saying a drought can occur every 2-3 years and the shortage could be 39% to 46%. What the District is calling for is no more new usage as part of this program and mandatory rationing with 35% cutback for 20 years. This gives a feel for what a high hill customers are going to be asked to climb. President LaHue noted the Surfrider meeting generated good discussion.

Director Jaffe noted that most toilets in Rome are dual flush.

#### 4. PUBLIC HEARING

##### **Item 4.3 was heard at this time.**

- 4.1 Public Hearing to Adopt Policy Regarding Applicability of the Water Demand Offset Policy (WDO) to Vacant Parcels where Water Capacity fees (and possibly others fees) were Paid Prior to the Adoption of the WDO Policy

Roy Sikes, Water Conservation Specialist, gave an overview of the memo with the pros and cons of the four options of applying the Water Demand Offset Policy (WDO) to certain cases where connection and other fees related to obtaining water service had been paid prior to the adoption of the WDO. In these cases, the lots have remained undeveloped sometimes for decades after payment of initial fees. Staff recommendation is to adopt either Option 3 or 4.

Director Daniels asked how many properties are impacted. Shelley Flock indicated that about 30 properties. Ms. Flock also stated very few properties received the letter from Staff indicating water service would be provided without exception. Director Daniels suggested that those two groups be treated separately.

Mr. Bosso noted the language "water service would be provided without exception" is language from a staff member, it is not part of a Board policy. It is not binding upon the Board.

President LaHue opened the Public Hearing.

John Seldon owns one of the properties in Soquel that had water service approved before the WDO program was put into place. He received a letter stating the District would provide him water service without exception. He strongly favors Option 4 over Option 3 because he believes Option 3 would encourage property owners to be developing within the sunset period and that would be contrary to the District's desire to conserve water. He noted that he uses 34 gallons per day per person in his household. The Board thanked him for saving water.

Peter Orr and his wife own one of the 30 lots purchased in 1992 as a nest egg. Then the economic downturn hit and property values plummeted. With property values turning around again and now concerned with the possibility of having a non-buildable lot, Mr. Orr agrees with Option 4. He commented about moratorium versus further conservation and the question of how to share the pain. He doesn't see why people who paid their fees many years ago should take 100% of the pain and suffer from the moratorium and others who have homes shouldn't be under pressure to conserve further.

Walter Huff spoke to the fact that he has one lot and would have been further along with the project but had setbacks with the County. He plans to downgrade tremendously and have no irrigated yard. He's very aware from relatives living in Arizona what you have to do to conserve.

MOTION: Director Daniels: Second: Director Meyer: To close the public hearing. The Motion passed by a unanimous roll call vote.

Director Hoernschemeyer noted that Option 4 is the best from his viewpoint.

Director Daniels commented that Option 4 gives the District money but it doesn't give water. He prefers Option 3 because those who can develop within the sunset period will do it, most of them will not and have to do the WDO, and that will provide water savings.

Director Meyer feels that Option 3 gives a certainty.

President LaHue asked about Option 2. He feels it is important that everyone buy into saying we know we have to save water and developments shouldn't be adding to the burden already on the aquifer. However, if a customer has received a letter stating without exception there seems to be a moral obligation to honor that. Director Meyer agrees. Changes to the WDO should also be considered.

MOTION: Director Daniels: Second: Director Hoernschemeyer: The WDO program does not apply to people who produce a District issued letter stating water service will be provided without exception. For all other situations, the standard WDO program criteria is applicable. The Motion passed by a unanimous roll call vote.

Director Jaffe asked Staff for clarification on the options.

President LaHue clarified that the WDO requirements are required of anyone regardless of when they paid their fees except for those who had the “without exception” letter. Everyone else is the same.

Director Meyer asked what Staff’s rationale was for favoring Options 3 and 4. Mr. Sikes replied that Options 3 and 4 provide a compromised solution giving a nod to those with plans for their lots and for various reasons they found themselves facing water moratorium.

Shelley Flock noted that intent is that people have purchased lots will have time to develop their properties without having to pay higher fees.

President LaHue asked if there is any requirement that new development have a certain level in the go green program. Mr. Sikes noted that there is no requirement to go green.

#### 4.2 Public Hearing on Potential Modifications to the Soquel Creek Water District Water Demand Offset Policy

Roy Sikes gave an overview of Item 4.2 addressing the need for more offset credits and possible changes to the WDO program multiplier. The multiplier is what the District applies to the base amount of projected water use. Currently the multiplier is 1.2 or 120% of the projected water use of any parcel. The current amount of offset credits available to purchase is approximately 11 acre-feet. There are 66 proposed projects and the total demand is 83 acre-feet creating a deficit of 72 acre-feet. Mr. Sikes presented three options for restarting credit collection for the WDO Program as follows: (1) District installation only, (2) developer installation only, and (3) a combination of the two (District and developer installation).

The second consideration would be to increase the Water Demand Offset multiplier. Staff has found that the bulk of offsets expended at the 1.2 rate are in reality providing about a 200% value of projected use primarily in single-family residential construction. There are a number of reasons for this. There has been stringent water use efficiency requirements adopted and rates have gone up. If the Board would desire to change the multiplier to 2.0 or 200% then staff would ask that statistical analysis of water use for the customer classifications be performed. This could cost between \$50,000 and \$125,000 to complete and the decision should be considered in light of how much longer the WDO program would be in effect and how much actual impact that would have considering 200% is already being achieved.

Director Jaffe clarified that even though a 1.2 multiplier is required the District is essentially at a 2.0 multiplier. This refers to the amount of water that the finished project is using.

Director Hoernschemeyer noted it sounds like from the data that there is no indication that a 200% offset factor would make any significant difference, although a study might refine that.

Director Meyer asked if Staff has tried to estimate how much the cost will escalate in the coming years. Mr. Sikes noted the current cost is \$18,000 per acre-foot and he expects that to double to \$36,000-\$40,000 an acre-foot within 2 years. Director Meyer asked how much can Staff effort be delayed in investing in a modified WDO considering perhaps the Board may end up imposing a moratorium on new and expanded connections. Mr. Sikes answered that with at the current service installation rate, it will be about 18 months before the District's bank is exhausted.

Director Jaffe asked about San Luis Obispo's use of the 2.0 offset factor. Mr. Sikes noted that Staff modeled the District's program from San Luis Obispo and their reasons for adopting 200%. Ms. Flock spoke to this noting that they had a short-term water emergency so they were looking for immediate water savings. Santa Barbara also uses a 2.0 factor. Mr. Sikes noted that this is a short-term bridge.

President LaHue opened the public hearing.

Don Heichel spoke to the District's groundwater management plan 2007, page 10 indicating that we live on 15% of our rain that naturally percolates to groundwater. 85% of the rain disappears annually. The Soquel Creek water diversion project, which was reserved for future consideration, was not for lack of water. Research indicated there was plenty of water to harvest from rainfall in all but the driest of years. He suggested the District focus the WDO on small, rain harvesting projects and porous concrete. He feels that gutters on roads should be dug up and replacing with sand or drill below that to accept rainwater from storms to harvest water. He stated replacing toilets will do nothing. He asked the Board to come up with research on how to employ porous concrete and use it in places where the ground will accept it.

Director Hoernschemeyer asked that Mr. Heichel write up his ideas and send them to the dEIR.

President LaHue noted that the ideas Mr. Heichel brought up are a good example of why the Board might consider the hybrid approach of securing offsets allowing creative approaches to the WDO program.

Steve Saliskar spoke on water recharge where he has seen pumping of 6" diameter pipes of water out of their fields in La Selva Beach in the wintertime because they don't want to flood their low-lying ground. If that water was saved and recharged it would provide much needed water back into the ground. If the cost were too much for the farmers to do it, could there be an offset cost where the District would pump that water. Mr. Saliskar has a pit on his property that charges the water back into the ground. Gravel/concrete driveways can clog up over the years so he feels there needs to be something more sustainable.

Director Daniels responded to Mr. Saliskar's idea stating if property owners do these types of projects themselves that is great and the District offers rebates for this. If the District were to do this, an EIR would need to be done, permits from County would need to be obtained, and we may find out that it does not work. He encouraged property owners to use whatever methods they thought of themselves to capture water runoff, as the District is not able to do this as a Governmental agency.

MOTION: Director Hoernschemeyer: Second: Director Meyer: To close the public hearing. The Motion passed by a unanimous roll call vote.

Director Meyer commented that he is new to this Board and when he first came he had many similar ideas of "why don't we just do this" and he noted it is very counter-intuitive that rainwater cannot just be used as the public has noted. The ideas are good but don't produce the needed 1,500 acre-feet. The District does many of these creative things. There are rain cisterns that the District can provide to help customers collect rainwater from their own gutters to water gardens. He had asked Staff to look at the rail trail for recharge and the recharge areas do not line up.

Director Hoernschemeyer commented that most of the areas in the District are not recharge areas due to rock formations that prohibit rainwater landing in the soil from going directly into the aquifer. There are only a few areas where recharge is directly possible. The limitations are severe.

Mr. Sikes noted that the District received feedback from applicants for water service that they preferred to have a straight fee. The District has a level of quality control so that the number of bad experiences is minimized with customers receiving fixtures.

President LaHue asked how the combination approach would function.

Mr. Sikes explained that the combination approach would require some allocation of funding to achieve a set target of offset credits. At this point, ultra-high efficiency toilets and turf removal would be considered. Those methods are very countable and produce reliable water use reductions. A bank of those credits would accrue and then after those run out it is time for the developers to step in and propose offsets which the District would need to have a certain degree of oversight over.

Director Jaffe commented that there is benefit to creativity. In terms of fairness, in the past when the person building their home had to do their own WDO's they had a difficult time finding the offsets whereas those in the construction industry had many options. If there are new types of offsets, these should be brought to the Board and handled on a case-by-case basis.

Director Meyer commented there are no policy reasons that limit the ability for developers to find offsets. He brought up a third option, which would be

to encourage some third party to get in the business of aggregating some of these offsets that they could offer privately.

MOTION: President LaHue: Second: Director Daniels: To direct Staff to implement the combination approach of acquiring WDO credits (Option 2) and to bring it back to the Board with more details for final approval. The Motion passed by a unanimous roll call vote.

Director Daniels asked to see information with regard to Option 3. He noted that the usage values happened in the time of the financial collapse that caused depressed water usage all over the country including the District. If there is not going to be a moratorium in the foreseeable future, Director Daniels suggests using an offset multiplier of 220% so that those who are developing and building help the supply system. For single families the multiplier would be 1.6. There is no data about multi-family use or commercial use, other than data from San Luis Obispo, and for those Director Daniels suggests using a multiplier of 2.2.

Mr. Sikes stated that for commercial property there is not a large sample size with only five being done total in the life of the WDO program.

MOTION: Director Daniels: Second: Director Meyer: To use a multiplier of 1.6 for single-family and 2.2 for everyone else. The Motion passed with Director Jaffe voting No.

President LaHue stated in light of the possibility of a moratorium he would favor a more stringent WDO program.

Director Jaffe commented a more stringent WDO program is just a Band-Aid and he does not support it.

Director Hoernschemeyer asked Mr. Sikes if there would be any difficulty in administering the proposal of 1.6 and 2.2 multipliers. Mr. Sikes explained that a separate database would need to be created for commercial projects and make the change to the program multiplier and would not create significant difficulty.

Discussion ensued regarding Resolution 13-17 which recognizes the 200% offset goal. Because significant amendments were suggested, Mr. Bosso suggested that the Resolution be brought with the revisions and publically notice the changes.

MOTION: Director Daniels: Second: Director Jaffe: To bring back **Resolution 13-17** with revisions. The Motion passed by a unanimous roll call vote.

#### 4.3 Public Hearing to Discuss Moratorium on New and Expanded Water Connections

Taj Dufour gave an overview of the staff reports. Mr. Dufour pointed out a correction referencing Section 5 of the Urban Water Management Plan. Water shortage contingency planning is referred to as Attachment 2 but is actually Attachment 4. Just after 2003, the Board's response to try to cut back demand was the Water Demand Offset Program. A graph dating back to the 1960's was presented showing historic water production and number of accounts. Even with the reduced production since 2003, the basin is still not achieving protective water levels at the coast, which is really what the District is trying to resolve. The Board's drive is to protect the aquifer from seawater intrusion. Last year HydroMetrics, the District's groundwater hydrologists, presented a plan to reduce pumping by about 35% for at least 20 years to restore fresh water levels at the coast. The District is attempting to restore 22,000 acre feet that was withdrawn by over pumping. In order to do that, the District has identified in the 2012 Integrated Resource Plan (IRP) and even in earlier IRP's, that the proposed Regional Desalination Plant is a possible option to reduce pumping. In the absence of a supplemental supply, on March 19, 2013, the Board adopted Resolution 13-02, indicated its intent to cutback pumping and in doing so without a supplemental supply, the Board would turn to the customers to do that. Existing customers would assist with that reduction but also new connections would participate through a moratorium on new connections and possibly expanded connections such as a remodel or expansion of an existing structure. Staff took the 2003 memo and updated the sections that are relevant. The major changes result from the 2010 Urban Water Management Plan as well as the revised recovery-pumping goal and post recovery-pumping goal. The will serve letters were significantly revised in 2010. The executive summary from the 2012 annual report summarizes there are still conditions in the basin that are at risk of salt-water intrusion. Out of the 13 coastal monitoring wells we have along the coast, 9 of them are below protective levels.

Director Daniels talked about active salt-water intrusion in the eastern part of the District, the Aromas Red Sands portion, and of new concern is the active salt-water intrusion in the Live Oak area in the City's portion of the Purisma aquifer.

President LaHue wanted people to understand the rationale of why the Board is talking about the Water Demand Offset program tonight and this initial discussion on potential moratorium. President LaHue noted that when he talks to groups the question comes up that if we have this much of a problem how can there be any development.

President LaHue opened the public hearing.

Mr. Don Heichel stated the District's groundwater Management plan of 2007 estimates 2,250-acre feet a year is pumped by private pumpers in the Purisma. That is 1/3 of the ground water that is extracted from this aquifer

yet Soquel Creek customers are the only ones that have to pay to cure this. He referred to the slide that shows Santa Cruz water department wells at Pleasure Point. These wells are right on the coast while Soquel Creek customers are paying \$18 million dollars for capital project to move five of the production wells inland. Mr. Heichel stated the District is asking Soquel Creek Water customers to pay for Seascope golf course landscaping and Seascope commons landscaping, Cabrillo College is a big pumper, and they are not paying to fix the problem. Mr. Heichel stated that John Ricker, County Water Resource Director has agreed with him in an email that a groundwater replenishment district is the way to go to spread the cost equally among all extractors of groundwater from the Aromas and Purisma aquifers. He feels this should not all be put on Soquel Creek customers when Pajaro Valley agriculture depletes the basin.

Ms. Cherie Bobbe agreed with previous speaker. She wants to know if there is an ongoing effort to cap abandoned wells in the district. In addition, she and many others have been asking Soquel Creek Water District to declare a moratorium for 12 years now. When she ran for the water board in 2001, one of the main platforms was that the District is in a water crisis. Twelve years has now gone by and nothing has changed. The District has done water neutral growth studies but there are other strategies to get serious about other sources than desal. Ms. Bobbe stated in 2009, the Black and Veatch study found that 134-acre feet from a satellite recycling plant at Seascope golf course. She stated if desal isn't built, which it might not be, the District is going to be asking customers to reduce to 53 gallons per day, but not going to have Seascope do something about their pumping. She was on the Santa Cruz County Water Commission from 2000-2005 and talked about "us behaving regionally with each other" and we are still not doing it.

Mr. Brian Arthur became concerned when he heard about a proposed moratorium, as he had purchased a vacant lot in May 2007 with the expectation of obtaining a building permit to build his dream home within a short period. Several months after the purchase, he submitted plans to the County but before he received approval, his neighbor sued to stop him from building. He went through many hearings and later he won on all counts. After 6 years, over \$300,000 in cost, lots of anxiety, he now has a Will Serve letter. He is currently in the second round of revisions with City planning and he will get a permit for his project. His project will use very little water. He plans to use 0.8 gallons-per flush toilets and landscaping is minimal with no lawns or sprinklers.

Mr. Walter Huff of Monte Sereno has property at 3700 Hilltop. He is on the Santa Clara Water Board and a council member for the City of Monte Sereno. He has listened to this discussion and knows the Board has hard choices. He stated the bottom line is we are stuck and at the end of the day, he has always tried to use common sense. He looks at costs and offsets and

understands what the Board is trying to do but he is not sure it is the right thing. He pointed out that in front of this building, there is green grass. Mr. Huff stated he has read the report. It is extensive, it is complicated and he cannot say he understands it by any means, but he is thinking an across the board reduction of at least 20% to 25% is an answer. Mr. Huff is also requesting a Will Serve letter. He bought his property here because he fell in love with the area and plans to live here and be a part of the community.

Ms. Carol Gioia from San Jose bought a lot and has been holding onto it for a very long time. The purpose was that she and her husband were going to build. He passed away in 2006, the recession hit, and she has held onto the property. She saw the proposal of the Aptos Village and was excited because she knew that her land was going to be valuable. She decided this year that she was going to put it up for sale. She received notice of moratorium, which devalued her property completely. She doesn't see how a moratorium will solve this problem. She has seen how Marin has gotten past some hurdles and is going to build a desalination plant. She doesn't understand why the District cannot do the same. She sees that as an answer to all of these problems and she doesn't see how damaging the value of her property is going to harm the water table and believes the desalination plant is the answer, not the moratorium, nor the 30% reduction.

Ms. Tere Thomas has lived on Park Avenue for 40 years. She wants to know how many vacant parcels are left in Capitola.

President LaHue stated he did not know. Mr. Dufour stated that in Capitola there are very little. The District sent out letters to 600 vacant lots in the entire service area. Most of those are unbuildable County identified vacant lots.

Ms. Thomas stated that one of those is hers. It is a small lot and they are thinking of someday building an energy efficient retirement home. She questioned if you pass a moratorium does that mean the Water Demand Offset does not apply. She has contiguous lots of an acre that she currently waters, so if she builds then whatever she uses to water that property. She asked if she will ever be able to build on her property and if not, would she get property tax relief for the reduced value.

President LaHue noted this meeting is for discussing these ideas and no decision has been made. The moratorium issue is being discussed along with the Water Demand Offset program because they influence each other.

Ms. Thomas wanted to know when decisions would be made about her questions.

Director Daniels noted that the Board would talk tonight about what the next steps are. There will probably be additional public hearings going forward depending on what the Board decides to do. If the District goes into

the 35% cutback program, the assumption is that everything that you could save, you are going to have to save anyway for the 35% cutback. The moratorium represents no new additional usage and everything that people are currently using would have to be cut back. In particular, no outdoor watering would be part of the program. The rationing program includes customers getting new toilets, new washing machines, and cisterns to catch the rainwater, gray water hookups.

Ms. Thomas wanted to know if the water rates were going to be increased again.

President LaHue noted that the last rate increase went into effect for a period of 3 years and includes a yearly increase.

Director Meyer commented that one of the questions that probably will not be addressed later in the discussion was if the property value changed by the action of the Board, can the property owner get a reassessment. That would be a question for the County assessor and they can tell the homeowner under what circumstances property values could be reassessed.

Mr. John Chance from Sacramento spoke about the house and lot his parents bought 50 years ago in La Selva Beach. His mom sold the house but kept the empty lot hoping it could be built on. The family is concerned because they do not know what the moratorium will do for them and they are in a quandary. What he is hearing is that there are very few buildable lots anyway so why would the District put a moratorium on building on those lots.

Mr. Terry Fast of Walnut Creek has a vacant lot in La Selva Beach purchased in the 1960's with the idea of retiring and hoping to build there. A moratorium really concerns him, for not only the property value as others have said, but also concern about not being able to use the lot. He desires to move down here. He believes desalination is a good option not a moratorium.

Mr. Owen Lawler has an unconditional Will Serve but he wanted to talk generally about the concept of moratorium. He thanked staff for a tremendous job on the staff report. There is a lot of good information and he really appreciates their work. He feels that the important point is the amount of water that is contemplated to be saved by a moratorium is not small, it is insignificant. He feels it is not a factor in this discussion and it does not do anything to move the ball forward on conservation, which is the issue. He thinks the problem of moratorium versus conservation is not comparable. The amount of demand from new services is so small, putting aside the consequences of moratorium. Strictly looking at the point of view of conservation of the goal of reducing demand on the aquifer, a moratorium does nothing. It cannot be considered a rational response to the concern of the aquifer. You have to look at conservation. Most water that is used in

homes is not in the home, but is the irrigation outside the home. Maybe customers need to look at removing lawns.

**MOTION: Director Hoernschemeyer: Second: Director Meyer: To close the public hearing. The Motion passed by unanimous roll call vote.**

Director Daniels noted that the District needs to start thinking about the Water Demand Offset Policy because it is increasingly unlikely that desal will happen. Desalination is the preferred option of the Board and has been for quite some time because people who have property will continue to be able to use them. Customers who have homes will have enough water to have a decent lifestyle. One of the reasons it is called rationing rather than conservation is because, unlike conservation, it is mandatory, difficult, and expensive and people will have to change their lifestyles. A 35% cutback is huge. The District is seeing growth that was not planned for as developers split lots and build higher density housing. There is also the sociological issues of a new house being built while existing customers have to cut back. For years, a moratorium has been discussed because it is a guarantee of seriousness and, in Director Daniels' opinion, there are no alternatives. Tonight there are four Will Serves on the agenda to approve and those will be active for two more years assuming a moratorium doesn't apply to them. That's additional usage built into the system and so far this year the District has had eight Will Serves so the number has been going up. Usage numbers have started to go back up. Staff had predicted that as the financial recovery comes along people would stop conserving as much as they did and usage will go up and it indeed has. After meeting with Ron Duncan last week, Director Daniels noted the rationing plan has built into it the savings from not doing these Will Serves. By continuing this program, we are making it that much harder on customers. Director Daniels noted there are two ways to implement a moratorium. One is through the Urban Water Management Plan and the other is through the water code, where the first requires declaring a groundwater emergency to prove we are over the "sustainable yield". Director Daniels moved that staff should be directed to draft a moratorium based on the water code.

Director Meyer commented that the laws that are set up so that Soquel Creek Water District is given the job of provided water and not withholding it, so a moratorium goes against the purpose of the District. There are some opponents of desal that would like to stop growth. Director Meyer noted a court decision that concluded withholding of water could not be used to stop growth. It can only be done in an emergency while additional sources of water are trying to be found. The District has been trying to find those sources of water for 30 years. Director Meyer agrees that it is unfair that private well owners continue to pump out of their own wells and there is not a mechanism for the District to make them share the burden of the cutbacks that are needed. The District is starting to talk to the County about those

issues, and believes the County is receptive to doing something that will help regionally to work together with the other agencies.

Director Daniels feels that before proceeding with a specific plan for a moratorium, discussions need to take place with the County and to consider some of these issues. A moratorium will not be decided tonight and would not necessarily begin as soon as a decision is made. One of the options available is to have a “sunset” provision where some amount of additional development could get started by people holding onto lots that are currently empty to give them time to do something with them. That is an option that the Board may consider. Although the growth is not large and is not a substantial drain, there is still the principle involved of handing out water when we don’t know where it is going to come from.

Director Meyers considers that when we give a Will Serve letter the District is saying we can provide adequate water for a normal lifestyle for up to 50 years. That promise cannot be made in good conscience right now without additional water. Director Meyer feels the District should move in the direction of a moratorium, but cautiously because this will disrupt plans, will affect the work of realtors, developers and contractors and the District needs to do this with a minimal amount of impact. One of the measures that might be taken before instituting a moratorium would be to do a peer review of the hydrology. The District’s plan is based upon the conclusions of the hydrologists. Water needs to be kept moving out to sea constantly to keep seawater at bay, and it is not happening enough now and it won’t happen for quite a few years into the recovery program.

Director Jaffe commented this is a decision that although ultimately the Board of Directors is going to have to make, it is really a community decision. Director Jaffe agreed with Director Daniels’ points that although the amount of water saved by imposing a moratorium, although small, may have a cascading effect on water usage. Director Jaffe feels that a moratorium is premature and agrees that we should proceed with looking at ways to actually enact a moratorium. Not only is there the issue of whether or not a desal plant is going to be built and additional supplemental supply available to the District, but there is the issue of whether or not the customers are able to reduce their water usage further. Many customers are already using water prudently, but there are also a significant percentage of customers who are using water at several times the rate of other customers. Director Jaffe supports continuing the steps towards a moratorium but feels it is premature to enact anything at this point.

President LaHue noted that he is of that mind as well, although he would like to discuss the Water Demand Offset program because having some changes to that or having new development have to offset their water use by even a greater factor might help the aquifer as much as a moratorium.

Director Daniels withdrew his motion that staff should be directed to draft a moratorium based on the water code, and moved that the District should start the process of having two hydrologists to look at the groundwater assessment.

MOTION Director Daniels: Second: Director Meyer: To bring a request for proposal to the Board to start the process of having two hydrologists do a peer review of the HydroMetrics data. The Motion passed by a unanimous roll call vote.

Director Daniels responded to public comments that District is not behaving regionally. The District is increasing their work with Central Water District on the eastern portion of the aquifer and started working with the City of Santa Cruz and the saltwater intrusion that is starting in the Live Oak wells and how to handle that regionally. The District is also working with the City of Santa Cruz with the water transfer idea. The water replenishment district is on the work plan to look at that. This would apply only to people within the District boundaries. The District is not out to damage the property values of homeowners. Anytime the District were to have a moratorium, whether it's this year or next year or years into the future there will be someone who is just beginning to develop their property. Director Daniels agreed that desal is a good option but it is not looking very likely to him.

MOTION Director Jaffe: Second: Director Daniels: That Staff agendize item looking at and discussing the water usage from the new information that is coming on how water usage is partitioned among customers and what effects that has on water rationing and water restriction program. The Motion passed by a unanimous roll call vote.

#### 4.4 Public Hearing to Discuss Conducting a Vote for Proposed Regional Seawater Desalination Project

Director Hoernschemeyer commented that he looks at this from two viewpoints 1) what would be the purpose of the customers in the District voting on this, 2) what could the voting achieve.

President LaHue opened the public hearing.

Ms. Cherie Bobbe commented that people should have the right to vote on desal. This is a very expensive, carbon intensive project, it changes the way we treat the watershed, it put us in a position of no longer working within our limits of what nature provides. It is stepping out of the hydrological system. People want to know about desal. They voted in Santa Cruz 72% to have the right to vote. Ms. Bobbe suggested the Board consider televising their meetings.

President LaHue noted that would be a good option for people who cannot come to the meetings.

Carol Gioia really believes the desalinization program is the answer. She encourages the Board to contact the Marin County District Board of Directors as they have managed to get past some hurdles and are planning to build the plant. She doesn't see any reason why this District cannot do it as well. She feels it is something for the future instead of the Band-Aids such as moratorium and conservation. Ms. Gioia feels that desalination is the future and needs to be looked at. She agrees that these meetings should be opened up to the public where people can listen in, have a voice and vote for this project.

MOTION: Director Daniels: Second: Director Meyer: To close the public hearing. The Motion passed by a unanimous roll call vote.

MOTION: Director Daniels: Second: Director Jaffe: To declare the District will conduct a vote for the proposed regional desalination plant and direct Staff to work with District council and return to the Board at a later date to review additional details of said vote. The Motion passed by a unanimous roll call vote.

Director Meyer expressed concern that the word "vote" might not be the right word in this context.

President LaHue noted that formatting is what will be brought back to another meeting.

Mr. Bosso stated that his understanding is that the Board wants this brought back with format choices.

Director Meyer commented that the District doesn't really know where the majority of customers stand on this without a vote. In the coming months the District needs to be more public in the quest to find out what the public knows, how we can get the right information to them and how we can help them make this decision.

President LaHue stated an extreme effort would be made to educate people about what the situation is so that an educated vote can be made.

#### 4.5 Public Hearing to Adopt Water Capacity Fees

President LaHue opened the public hearing.

MOTION: Director Daniels: Second: President LaHue: To close the public hearing. The Motion passed by a unanimous roll call vote.

MOTION: Director Daniels: Second: Director Meyer: To adopt **Resolution No. 13-18**. The Motion passed by a unanimous roll call vote.

Director Hoernschemeyer noted one point. On page 200, if desal is not funded would the water capacity fees have to be adjust accordingly. Michelle Boisen noted that they would.

**5. ADMINISTRATIVE BUSINESS**

- 5.1 Conditional Will Serve Letter for Richard Huyck, 4800 Bridge St, Soquel, APN 030-091-01

MOTION: President LaHue; Second: Director Meyer: To authorize the District's Conditional Will Serve Letter indicating that the District will conditionally serve the proposed new single-family dwelling at 4800 Bridge St, Soquel, APN 030-091-01. The Motion passed by a unanimous roll call vote.

Director Daniels asked that Staff communicate the new ratios for the WDO's to those approved for Will Serve Letters tonight.

- 5.2 Conditional Will Serve Letter for Walter and Ann Huff, 3700 Hilltop Rd., Soquel, APN 102-181-09

MOTION: Director Daniels; Second: President LaHue: To authorize the District's Conditional Will Serve Letter indicating that the District will conditionally serve the proposed new single-family dwelling at 3700 Hilltop Rd., Soquel, APN 102-181-09. The Motion passed by a unanimous roll call vote.

- 5.3 Conditional Will Serve Letter for 3700 Hilltop, LLC, 3700 Hilltop Rd., Soquel, APN 102-181-08

Mr. Huff was present and noted that there will be 9 homes built on this site; the landscape will not include grass. The existing wells on this site will be abandoned.

MOTION: Director Meyer; Second: Director Hoernschemeyer: To authorize the District's Conditional Will Serve Letter indicating that the District will conditionally serve the proposed subdivision at 3700 Hilltop Rd., Soquel, APN 102-181-09. The Motion passed by a unanimous roll call vote.

- 5.4 Conditional Will Serve Letter for an ADU for Terry David, 507 Plum St., Capitola, APN 036-062-14

MOTION: Director Hoernschemeyer; Second: President LaHue: To authorize the District's Conditional Will Serve Letter indicating that the District will conditionally serve the proposed Accessory Dwelling Unit at 507 Plum St., Capitola, APN 036-062-14. The Motion passed by a unanimous roll call vote.

- 5.5 Unconditional Will Service Letter, Dave Michaels on 48 Robak Dr., La Selva Beach, APN 045-331-04

Clarification was made that the revised WDO multiplier would not apply to this Unconditional Will Serve.

MOTION: Director LaHue; Second: Director Meyer: To authorize the District's Conditional Will Serve Letter indicating that the District will conditionally serve the proposed new single-family dwelling at 48 Robak Dr., La Selva Beach, APN 045-331-04. The Motion passed by a unanimous roll call vote.

5.6 Fire Hydrant Relocations on 41st Ave., Ratification of Emergency Bid Award

Mike Wilson noted that the County of Santa Cruz contacted staff informing us they were constructing "traffic calming" facilities along various streets along 41<sup>st</sup> Avenue. They require the District to relocate two fire hydrants and one line-in main valve before the first week of July 2013.

MOTION: Director Daniels; Second: President LaHue: To ratify the Interim General Manager's actions for authorizing the issuing of Purchase Orders to MPE and for an amount not-to-exceed \$14,000.00 for the Fire Hydrant Relocations on 41st Ave. project, CWO 13-750. The Motion passed by a unanimous roll call vote.

5.7 Adopt Resolution Approving, Authorizing, and Directing Execution of Certain Installment Sale Financing Documents, Approving Sale of Certificates of Participation, Approving a Preliminary Official Statement, and Authorizing and Directing Certain Actions with Respect Thereto

Alex Handlers of Bartle Wells Associates gave a presentation and responded to questions. **(Attached as Exhibit B)**

Mr. Handlers is asking the Board to approve as substantially final as to form. More edits and revisions will come but tonight the Board is being asked to approve substantiating investments, finances. The District's resolution authorizes key people to approve the final version with the edits.

Director Daniels asked Mr. Handlers to make some minor changes which he will do.

Director Meyers wanted to know where these bonds end up. Mr. Handlers noted that they don't know who the winning underwriter will be. Often it is a team of underwriters. He will let the District know who the winning underwriter is.

Director Daniels noted the report has the cash flow projections over next decade with the 9%, which has already been approved, and then the jump up to 12%. He wants the record to state that he is not in favor of that jump up and asks that Staff prioritize the important CIP projects to happen now.

MOTION: President LaHue: Second Director Daniels: To Adopt **Resolution 13-19** Approving, Authorizing, and Directing Execution of Certain Installment Sale Financing Documents, Approving Sale of Certificates of Participation, Approving a Preliminary Official Statement, and Authorizing and Directing Certain Actions with Respect Thereto. The Motion passed by a unanimous roll call vote.

5.8 Approve Funding for The Garden Faire

Sheryl McEwan - Founder of The Garden Faire was present and is requesting approval of funding for the Garden Faire for a designated amount up to \$2,000.

The Garden Faire raises water awareness with interactive exhibits. Ms. McEwan asked Board members if they would like to attend the Faire and be available to answer questions about desal. She suggested that a survey could be done about how the public feels about desal.

President LaHue asked how she knows where people come from. Ms. McEwan indicated there would be a survey so that anyone coming to the information booth can fill out a survey with his or her name city, zip code, e-mail address.

Other sponsors include San Lorenzo Valley Water District (\$2,500), Scotts Valley Water District (\$3,000). They are waiting to hear from Santa Cruz Water District and Pajaro Valley Water District has indicated they will participate next year.

MOTION: President LaHue: Second: Meyer: To approve funding for the Garden Faire for a designated amount up to \$2,000. The Motion passed by a unanimous roll call vote.

Director Hoernschemeyer wanted the motion amended to delete the words “a designated amount up to” and see the motion read, “Approve funding for the Garden Faire for \$2,000.”

Michelle Boisen noted that funding has been done in the past by submission of receipts up to \$2,000. The Board feels that a flat amount is easier and to include invoices.

Director Hoernschemeyer withdrew his amendment and the motion carried as stated.

Director Meyer commented that although more people from the City of Santa Cruz would show up than from the District, they are our partners and to the extent that we help them, we help ourselves.

5.9 Resolution Honoring Denise Alexander Upon Her Retirement as the District’s Executive Assistant/Board Clerk

President LaHue read the resolution and noted that Denise's years of service have been truly appreciated. The Board gave Denise a standing ovation.

MOTION: President LaHue: Second: Director Hoernschemeyer: To adopt **Resolution No. 13-20** in Appreciation of Denise Alexander, Executive Assistant/Board Clerk, July 2003 – July 2013 upon her retirement. The Motion passed by a unanimous roll call vote.

5.10 Resolution Honoring Reggie Almond Upon His Retirement as the District's Construction Inspector and Cross-Connection Control Specialist

MOTION: Director Daniels: Second: Meyer: To adopt **Resolution No. 13-21** in Appreciation of Reggie Almond, Construction Inspector and Cross-Connection Control Specialist, June 2006 – June 2013, upon his retirement. The Motion passed by a unanimous roll call vote.

5.11 Desalination Task Force (Oral Report)

Director Daniels commented the Task Force has not met and isn't going to meet. President LaHue had a question about the requests to extend the public comment period for the EIR. He has talked with Mayor Bryant and they have not had any formal discussion of it. She will be discussing it with City Water Director Bill Kocher on Monday. The feeling is that it may be extended 15 days. President LaHue is asking how the Board feels about that. Director Hoernschemeyer would be reluctant to but would listen to their reasons. Director Meyer stated it is a nominal amount of time and the city may be under more pressure than the District.

Director Hoernschemeyer asked if the Board would be hearing from URS about what type of feedback its being received in written comments. Mr. Dufour noted not until the close of the comment period and they begin responding to comments. Mr. Bosso noted that the comments are taken in, organized by subject matter and then respond to them. Mr. Dufour said that less than 100 written comments have been received so far.

6. **INFORMATION ITEMS**

None

7. **STATUS REPORTS**

7.1 Engineering Status Report

Mike Wilson reported on the following:

Quail run tank delayed due to Staff been unable to work on it. Hopefully this will come back in July when we have more time. Black & Veatch has provided the District with an adequate tank size. It has been downsized. The community has been informed that the tanks can be made smaller. The next step is there are three alternate locations that need to be researched and the property owners will be contacted by the District Staff.

Mr. Wilson reported that Doug Martin, the new construction inspector started today.

#### 7.2 Operations & Maintenance Status

Taj Dufour introduced Christine Mead, the new Operations and Maintenance Manager.

Director Daniels stated he is looking forward to the Water Quality – Ammonia in Source Water presentation that the Board requested at their June 4, 2013 meeting.

Director Meyer wanted to know what the condition of the cast iron main was. How thin the wall had gotten or how corroded it looked. Mr. Wilson noted that whenever there is a break a sample of the pipe is taken so that it can be assessed which is the goal for next year.

#### 7.3 Income and Investment Report for May

Michelle Boisen gave an overview of the report. The Board liked the very clear format that was provided,, but would like the tier consumption comparative charts previously used. Director Jaffe asked that Ms. Boisen include the comparative charts in the future.

Ms. Boisen also reported she had word from auditors today that Governmental Accounting Standards Board 65 has changed. GASB Statement No 65 discusses the treatment of debt issuance costs and concluded that the costs relate to services provided in the current period and thus they should be expensed in the current period and can no longer be amortized over the life of the debt.

#### 7.4 District Counsel

Bob Bosso provided an update on the following:  
Status of JM pipe litigation and conversation he had with Santa Cruz County regarding their desire to amend the encroachment permit for slurry seal on Soquel Drive.

#### 7.5 General Manager

Taj Dufour reported that last week he attended a meeting with the following: Director Meyer and Director Daniels met with supervisors Zach Friend and Neal Coonerty, Susan Moriello, John Ricker, John Presley, Bill Kocher, Cynthia Matthews. They discussed water and how it affects the County and not to expect any guarantee of water to be there for some projects and any economic rail-trail ideas need water. They wanted them to be made aware of the situation and seemed very responsive to that meeting.

Director Daniels commented it was a very timely meeting, because the next day Zach Friend had an interview with the Sentinel and noted these ideas in the article.

Director Meyer has thanked Zach Friend for his comments and forwarded additional information to him about the District's rationing plan.

Director Daniels felt that at that meeting the City was about as discouraged about desal as he has heard.

7.6 Work Plan Status Report

Director Daniels had a question about Item B – What kind of feedback was there from the Permitting /Regulatory meeting that was held in Sacramento. Mr. Dufour does not have feedback yet.

8. **WRITTEN COMMUNICATIONS AND CORRESPONDENCE**

8.1 Correspondence dated June 5, 2013 from Donald E. Way regarding proposed moratorium

A letter was received from Donald E. Way was distributed and is attached **(Attached as Exhibit C)**

E-mails from the public regarding the Public Hearing Items were distributed to the board and are attached **(Attached as Exhibit D)**

9. **REPORT OF PAYMENT OF THE BILLS**

9.1 May Warrants and April/May Credit Card Analysis

Michelle Boisen answered questions about credit card detail. There was a return less a re-stocking fee.

MOTION: Director Hoernschemeyer: Second: Director Meyer: To accept the May Warrants and April/May Credit Card Analysis as paid. The motion passed by unanimous roll call vote.
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**President LaHue recessed the Open Session to convene the Closed Session at 10:46 p.m.**

10. **CLOSED SESSION**

10.1 Labor Negotiations Government Code Section 54957

President LaHue reported that an update on labor negotiations was given.

**President LaHue reconvened to open session at 10:57 p.m.**

11. **ADJOURNMENT** - There being no further business, President LaHue adjourned the meeting at 11:00 p.m. to the next scheduled meeting on July 9, 2013.

SUBMITTED BY:

APPROVED BY:

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Karen Reese, Board Clerk

\_\_\_\_\_  
Thomas R. LaHue, President