

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**  
**BOARD OF DIRECTORS MEETING**  
**MINUTES OF February 18, 2010**

**Directors present:** Richard Gourley, Marilyn Breland, Ralph Allison, Dan Burgess, Don Clarke  
**Directors absent:** None  
**Staff present:** John D'Ornellas, General Manager, Debbie Fransen, Finance Manager

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**OPEN SESSION 4:00 PM**

**CALL to ORDER/FLAG SALUTE**

President Breland called the meeting to order and led the flag salute.

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**ROLL CALL**

All Directors in attendance.

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**PUBLIC COMMENT**

There were no comments from the public.

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**MINUTES**

3. Minutes of January 21, 2010: President Breland asked if there were any questions about the minutes. There were no questions. Director Gourley moved to approve the January 21, 2010 minutes. Director Allison seconded the motion. The vote carried 5-0 in favor.

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**PAYABLES**

4. January 2010 Payables: President Breland asked if there were any questions about the January payables. There were no questions. Director Allison moved to approve the Warrant Register for January. Director Burgess seconded the motion. The vote carried 5-0 in favor.
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**DISCUSSION ITEMS**

- 5A. Direct Pipeline. D'Ornellas said the purpose of this project is to provide a method for the District to obtain our water entitlement in the event the Lake Nacimiento Reservoir reaches dead pool. He added that the California Department of Public Health (CDPH) is requiring the District to provide them with a plan on how we will provide water service to the community if the Nacimiento River is not available by March 31, 2010.

D'Ornellas reminded everyone that Heritage Ranch only has one source of water. He explained that the recent retrofit of the Lake Nacimiento dam was done in order to hold more water during the winter months, and to let more water out as outlined in the Salinas Valley Water Project.

D'Ornellas reviewed the reservoir's capacity and the low level the reservoir recently experienced in October of last year. He said the reservoir was 9% of capacity or 700 feet; the lowest in seventeen years. He said when the reservoir reaches 670 feet elevation, that is dead pool, and although the October 13th, 2009 rain storm brought the reservoir's level up, we will again be back at minimum pool or below in future years, and this direct pipeline project is not a minimum pool project, it is a dead pool project.

D'Ornellas presented a Power Point presentation with verbal detail. He said the pipeline project will be expensive, complicated and controversial and may never be needed. D'Ornellas said San Luis Obispo County has verbally indicated that they do not want to be involved in the approval of the design nor will they facilitate the approval of our project with other agencies. He said they do, however want to be kept apprised of the progress we make and the final design of the project as approved by the various agencies.

D'Ornellas said no one knows when the next drought will be. If the lake continues to fill up each year, then we don't need this project. However, he said the experts have predicted that it will not rain in future years as it has historically. When the history of the world is reviewed, we could be entering a long term drought condition.

D'Ornellas said if it is the Board's desire not to go forward with the project because they believe it will always rain and the lake will fill up, then so be it. He added however there it is a strong possibility that our one well could go dry, and he would hate to think that he or the Board was negligent.

D'Ornellas said the District has circulated the proposed direct pipeline project to Monterey and San Luis Obispo County for review. He said to give the Board an idea of how responsive the County is to this project, he said he sent an e-mail message to the County of San Luis Obispo Public Works Division about a comment made by Monterey County three weeks ago. The comment was made in writing. The issue was that San Luis Obispo County has no control over lake releases. He said he waited three weeks for a reply as he was ready to reply to Monterey County. He called the County of SLO and was advised that they did receive the e-mail, but was told it is not a main issue and is of very low importance. He added that someone else from SLO County e-mailed back a few days later and said they do not agree with the written statement made by Monterey County.

D'Ornellas said that capital projects have five important steps in order to be successful. He said when the steps are not followed in order, you end up with a project full of construction defects and will no doubt be costly to maintain as experienced with the Heritage Ranch Gas Station. He said what we need today is the approval to move forward on this project if the Board so desires.

D'Ornellas concluded the presentation with a saying he recently found a quote; "When searching for water, it is best to take some with you", which he said in his mind means when you are looking for water, it is best to have some. We need to start this project now, because we have some water now.

D'Ornellas opened the discussion for questions that he or Kari Wagner could answer.

Director Gourley asked if Monterey County could step in and change the project. D'Ornellas replied yes and added only to a certain degree. He said there are some items that the District is flexible on. He said we need their consent on the connection structure and we will need San Luis Obispo County's consent on when and how we operate the pipeline at dead pool.

Director Allison said he attended a Planning Commission Meeting and was wondering if the SLO County Planning Commission would have to be involved in the project. D'Ornellas said that this project is a utility project and he does not believe they will because it is not a building.

Director Clarke said we need to get this project started and made the motion to approve the scope of work proposal from the Wallace Group for the direct pipeline project management, survey, design and right of way acquisition with a not to exceed cost of \$42,078; Approve the scope of work proposal from Rincon Consultants for Environmental Work (CEQA) related to the direct pipeline project with a not to exceed cost of \$12,833; Approve the budget transfer from reserves to capital projects of \$55,000. Director Allison seconded the motion as presented.

The motion carried 5-0 in favor.

- 5B. Raw Water Treatment: D'Ornellas presented the proposed scope of work for raw water treatment options. He said this is a related project relevant to the pipeline project. He said the Nacimiento River water quality is usually very good. The river water's turbidity ranges from three to six NTU, and the Water Treatment Plant is designed to treat it. When the pipeline project is complete, and should the lake reach dead pool, the river water will be of a different character; how much difference and the impact is unknown at this time.

D'Ornellas gave the Board an example of poor water quality conditions during the heavy rainfall in October 2009. He said the water treatment plant was not able to treat the poor quality of water. D'Ornellas said we were real close to running out of water before the river water quality improved. He said we were within hours of issuing a Boil Water Notice. He also explained the issue of iron and manganese concentrations that staff has battled for years. He said the District uses the method of flushing our distribution lines to try to control the iron and manganese in the drinking water, however flushing is not foolproof and it often makes the dirty water conditions worse before it gets better.

D'Ornellas said a study from an experienced and qualified engineering firm can determine what the impact of raw water will be to our water treatment plant and what design changes will be needed. He said staff has contacted Kennedy/Jenks Consultants (the firm who designed the water treatment plant) to assist with this phase of the direct pipeline project. The scope of work also asks for a study to determine options for improvements and or modifications at the water treatment plant to accommodate raw lake water and treatment of iron and manganese. This proposal will be brought to the Board for review and final approval.

Director Clarke suggested that this project be postponed until next fiscal year and made a motion to do so. Director Gourley seconded the motion. D'Ornellas said this project could wait and added he is not aggressively pursuing it. Director Breland opened the discussion and stated she does not believe specific direction should be given on proposal timing and added to let Manager D'Ornellas make the decision. D'Ornellas said if there is a desire to wait until after July 1 to fund this project that can be done. He asked Kari Wagner for additional information on this project.

Kari Wagner addressed the Board and said that it is recommended the District move forward on this project, however not aggressively. If the proposals come back too high, then the District can wait until the new fiscal year for funding. Wagner said this project allows for coordination between the pipeline project and the treatment of the raw water. D'Ornellas said the actual cost of the project is not known at this time; it could be \$20,000 or it could be \$120,000.

Director Gourley said it makes good sense to move forward due in part because of the District's flushing program to deal with iron and manganese. He said when customers see the District flushing hydrants and assume we are wasting water, it can be relayed that the District is seeking an alternate method for removal of iron and manganese in the drinking water. Director Burgess agreed that the District needs to find out the actual cost of the project for raw water treatment options.

Director Clarke said he will gladly change the motion which he did. Director Breland asked if there was any further discussion. There was none. The motion carried 5-0 in favor of pursuing the project.

- 5C. Project Update: D'Ornellas said this report is merely an update that he feels is timely at this point in the fiscal year. He said a key issue that he wants to mention is that we do not have a staff person assigned to the position of Project Coordinator. He said he takes the lead in the administration of all projects with assistance from the Operations Supervisor and the Finance Manager when applicable. He said many districts have an engineering staff assigned to only the capital project process. D'Ornellas said while he is not complaining, he spoke with the Manager of Vandenberg Village CSD and was told that this District's only capital project this year is replacing two angle stops, which is not considered a capital project for our District.

D'Ornellas began the review of the capital projects with Tract 1990. He said there is a punch list of some minor construction corrections needed before the District will accept the remaining portion of Phase II in that tract. He said we will not accept Phase II until as-builts are complete. There was discussion about an article in The Herald that came out about the extension of Tract 1990. D'Ornellas said he has not heard anything about the issue, however added that the Tract originally had 250 lots.

D'Ornellas continued with the Commercial Site's addition of two meters; one for the grocery store and one for irrigation. He said the gas station will have a car wash that will use recycled water and will only use six to eight gallons of new water per car. He said staff has asked to view the plans for the car wash to determine any pretreatment that may be needed.

D'Ornellas said that staff has installed approximately 250 new automatic read meters. The meter reads today were both manually read and automatic read. He said the meters in Tract 1990 will be retrofitted to be read automatically. He said the staff has been really busy with the PLC project and having to operate the water treatment plant manually, so the installation of automatic read meters has slowed down considerably. He said it is the District's goal to have 875 new automatic read meters operational by June 30<sup>th</sup>.

D'Ornellas reported that staff has prepared a Request for Proposal for the closure of the gas stations' underground storage tank. He said the station must be taken out of service in order to be in compliance with Government Code Section 61105 when the commercial center's gas station is operational. He said the Department of Environmental Health has indicated that closure by removal of the UST is required; they will not allow the tanks to remain in place. He said the cost for this is unknown at this time. D'Ornellas said the closure of the District station will be coordinated with opening of the commercial center's station. He said the RFP will probably come to the Board at the March or April meeting.

D'Ornellas said the PLC/SCADA upgrade project is going very smoothly. The contractor had a hard time getting data from the old system, so a 14 day extension has been granted. The District is keeping up with water demand. He said staff is working a split shift in order to meet the demands of operating the plant manually. D'Ornellas said overtime is also minimal.

D'Ornellas said the details of the Direct Pipeline Project was already discussed at great length, as well as the Raw Water Treatment project.

D'Ornellas said the MOU for the pipeline has been prepared that outlines key points related to the operation of the pipeline project, but work has not been done on the agreement pending the approval of the pipeline's design scope of work. He said District counsel will be asked to draft the agreement for staff's review.

D'Ornellas began the discussion for the Waste Discharge Permit Renewal process. He said the District must submit a Report of Waste Discharge to the Regional Water Quality Control Board by September 30, 2010 that will initiate the process for the District to renew our discharge permit. D'Ornellas said during the renewal of the current permit process, he spent hundreds of hours preparing the renewal packet. He said this is a critical project for

the District. He said he plans on focusing the renewal on the feasibility of water reclamation and reducing surface water discharge. He said the renewal process must be managed diligently and should be our main focus. Director Breland asked for details about the spray fields. Kari Wagner said they will be planted with a grass and other areas of the District will be investigated as well for discharge sites. Director Gourley asked if the current system will be abandoned. Wagner said the District should not abandon the current system because during the winter months, spray fields cannot be used and the discharge will have to be down the river.

Wagner said the permit to discharge down the river may become subject to stricter regulations in the future. She explained the different options that included a membrane filtration process. D'Ornellas said the average discharge is 180,000 gallons per day. He said the higher level of treatment is in the future at Heritage Ranch and it is going to become a bigger project.

D'Ornellas said the Other Post Employment Benefits (OPEB) Actuarial Study is moving forward and staff is working with the Epler Company in order to present the actuarial for review at the March 2010 meeting.

D'Ornellas said the 2010/2011 Budget process will begin next month. He said it is a major project, however it is a key planning tool used throughout the year and more time needs to be dedicated to the budget, especially for equipment replacement.

Under Other Projects, D'Ornellas began a description of the other ongoing projects that were not budgeted this year, been in past budgets, or simply have no funding. He first said that the PRV at the front gate was replaced with a new valve and sections of ductile iron piping were replaced. He said staff hired a contractor through the company that manufactures our PRVs to perform preventative maintenance on all PRVs. He said due to the poor condition of the PRV on Gateway, no maintenance could be performed and money was used from the fixed equipment line item on the budget, making this item over budget for the year. He said now that we are on the maintenance program with this company, it will come up every two years.

He continued with the Pump Station 1,3, and 4 upgrades and said they are not done yet. It is not going to get done this year either. He said the contractor that is doing the PLC/SCADA project is being asked for feedback on ways to accomplish the upgrade. D'Ornellas said we are in a good position to solve the electrical problems of this project.

D'Ornellas said the Lab Building is in poor condition and suffers from dry rot and may have a mold problem that the rains have exacerbated this year. He said he has therefore moved staff from the building to the office's kitchen until a solution can be found. D'Ornellas said this is just a temporary situation. Director Clarke said he cannot believe that something as important as lab testing is being done out of the kitchen at the office. He said it is ludicrous and absurd. He took blame personally to some extent that something has not been done sooner to the lab building and said he would like to see something done immediately. Director Gourley asked if we could put out a RFP to some contractors. D'Ornellas said yes he can and he can start working on it now. He said a total rebuild may

be the way to go. He said it could be a metal building or a modular and he would actually like to see a bigger lab building.

D'Ornellas said there is money available. He said he does not have any idea how much a new building or remodel would cost. He said one of the problems the District has is that we are here to run the water and waste water systems, not build things even though there is staff that is capable. President Breland said she would like D'Ornellas to prioritize the projects and if a list was available, the Board could respond or address each project accordingly. Director Clarke said D'Ornellas was hired as the Manager, and in that capacity, he will have to act as a project coordinator in some instances. He said we are a three million dollar corporation. Director Breland said that if D'Ornellas feels he should hire more staff in order to coordinate and complete the projects, he should do so. She said if he feels he is short staffed and overworked, he should say so. She added that the Board members need to stop micro-managing as it is not the Board's job. Director Clarke disagreed and said there is no micro-managing involved on the Board's behalf just direction given.

D'Ornellas agreed with the Board. He said there are a lot of things going on and he does feel over-worked and in a perfect world, he would have a project coordinator. He said as long as he can continue to bring in consultants to assist him, that should work. He said he has the Wallace Group as his consultant for the pipeline project. He added that if the Board feels more assistance is necessary for the organization of District projects, then he will do so. D'Ornellas said he and the Operations Supervisor recently discussed how intense the District's operations have been over the last six months; weather, change of staff, equipment failures, etc. D'Ornellas said of the eleven listed projects, there is not really any that he feels he can let slide.

After much discussion, Director Burgess asked what the Board could do to take the load off of D'Ornellas. Director Allison said D'Ornellas has been here long enough to know what is best for the District. It was the Board consensus to form an Ad-Hoc Committee to solve the issue of a new or remodel of the lab. The members of the committee are Director Burgess as Chair and Director Gourley. The vote carried 5-0 in favor. Kari Wagner advised the Committee that the Wallace Group is available to assist if necessary.

D'Ornellas said the office landscaping project has not moved forward due to staff's lack of time to design, plan and contract the work. He said the Seniors are waiting for the District to proceed and appear to not be in a hurry to change the landscape.

- 5D. NRWMAC Meeting: D'Ornellas reported that he attended the Nacimiento Regional Water Management Advisory Committee (NRWMAC) meeting as the HRCSD Manager only and that while lake levels are an important issue to the CSD, the recreational aspects of the lake are not part of our mission. He said NRWMAC approached him and asked him to serve on their Board. He said they specifically want someone that can represent Heritage Ranch and that is knowledgeable about Lake Nacimiento. Director Allison did not agree with the aspect of D'Ornellas being a member of NRWMAC. He said there are reasons why D'Ornellas cannot serve on their board; he's not a Heritage Ranch resident and as CSD Manager, there is a conflict of interest issue.

There was discussion about the previous Nacitone Committee and the fact that D'Ornellas participated in the committee. Director Breland said she believes someone from the Owner's Association should be asked to sit on the NRWMAC board. Director Burgess volunteered to sit on the board. D'Ornellas said he would contact Phil Humphries and also get the upcoming meeting's information to Director Burgess. Director Burgess said as a Ranch resident, he is concerned about the lake level, boat docks and quagga mussels.

- 5E. LAFCO Nomination: D'Ornellas stated that this item was received after the agenda was published and added that it is a time sensitive matter. He asked the Board to add the item in accordance with the Brown Act. D'Ornellas said he needs 2/3 vote of the Board to place the item on the agenda. Director Allison made the motion to add the item and Director Burgess seconded the motion. The item was added to the agenda with a 5-0 vote. President Breland asked for discussion on the item.

D'Ornellas said there are four nominees for the vacancy on the San Luis Obispo Local Agency Formation Commission (LAFCO). D'Ornellas said that Ed Eby is currently the LAFCO alternate and has been so for eight years. Kari Wagner spoke in favor of nominating Ed Eby to fill the Special District Member vacancy. D'Ornellas agreed that Ed has the most experience.

Director Burgess made the motion to nominate Ed Eby. Director Gourley seconded the motion. There was no further discussion. The motion carried; 5-0.

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***CONSENT ITEMS***

- 6A. Treasurer's Report for January 2010: D'Ornellas presented the Treasurer's Report for January 2010. There were no questions or comments. Item was received and filed.
- 6B. 2<sup>nd</sup> Quarter Treasurer's Report: D'Ornellas presented the Quarterly Treasurer's Report for the second quarter of the fiscal year. There were no questions or comments. Item was received and filed.
- 6C. Fiscal Report: D'Ornellas presented the Fiscal Report for January 2010. There were no questions or comments. Item was received and filed.
- 6D. Manager's Report - January 2010: D'Ornellas presented the Manager's Report for January 2010. There were no questions or comments. Item was received and filed.
- 6E. Engineer's Report – January 2010: Kari Wagner presented the Engineer's Report for January 2010. There were no questions or comments. Item was received and filed.
- 6F. Staff Reports For January 2010: President Breland asked if there were any questions on the Staff Reports. Fransen stated that if there were questions, she would answer them. There were no questions or comments. Item was received and filed.

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***BOARD STAFF GENERAL DISCUSSION***

D'Ornellas said the next regularly scheduled meeting for March 18<sup>th</sup>, 2010 will have to be canceled due to a lack of a quorum. Several Directors will not be able to attend. He asked the Board for an alternate date. There was discussion and it was decided to move the meeting date to the following Thursday, which is March 25<sup>th</sup> at 4:00 pm.

President Breland said Cal Fire personnel have approached her several times regarding a helicopter landing pad on District property behind the maintenance building. She stated that she has advised them to contact District Manager D'Ornellas to have their request put on the agenda. D'Ornellas said he has not had any contact with Cal Fire. There was discussion between the Board and the Manager and it was decided that until Cal Fire formally approaches the District, the concept of a helicopter landing pad is a moot subject.

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***ADJOURNMENT***

Director Clarke made the motion to adjourn the meeting. Director Allison seconded the motion. The motion carried; all in favor. The meeting adjourned at 6:20 PM.

**Approved:**

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***Marilyn Breland, President Board of Directors***

**Attest:**

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***Debbie Fransen, Secretary Board of Directors***