

**BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
Tuesday, December 12, 2006**

The Board of Directors of Brooktrails Township Community Services District met in regular session on December 12, 2006 at 7:00 p.m. at the Brooktrails Community Center.

A. PLEDGE OF ALLEGIANCE

B. ROLL CALL

Roll call showed the following directors present: Williams, Ziady, Orth, Horrick and Skezas. Also present were General Manager Chapman and District Counsel Neary.

REPORT ON CLOSED SESSION

District Counsel Neary reported that an employee holding the position of Utility Worker III was dismissed in August 2006. He appealed his termination to the Board of Directors. The Board heard the matter in closed session over several hearings and voted unanimously to uphold the termination. The employee's administrative remedies have now been terminated. He can seek judicial review up to February 1, 2007.

C. BOARD REORGANIZATION

Director Orth nominated Director Skezas to continue on as President. There being no other nominations, nominations were closed and a vote was not required. Director Orth nominated Director Horrick to continue on as Vice-President. There being no other nominations, nominations were closed and a vote was not required.

D. COMMITTEE APPOINTMENTS

Directors expressed their desires regarding committee appointments. Director Orth said he would like the Specific Plan Committee to be framed as an ad hoc committee and to bring a proposal for its operation to the Board in the new year. President Skezas stated that when the Solid Waste Task Force becomes active, we will appoint a delegate at that time.

The committee appointments were:

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| CalTrans Willits Bypass Project Development Team | Tony Orth |
| WELL Project | Ed Horrick |
| Recreation, Greenbelt & Conservation Committee | Mary Ziady - delegate Ed Horrick - alternate |
| Finance Committee | George Skezas, Ed Horrick |
| Specific Plan Ad Hoc Committee | Tony Orth - delegate Rick Williams - alternate |
| Solid Waste Task Force | to be determined when appropriate |

E. ADDITIONS/ADJUSTMENTS TO THE AGENDA

None.

F. MINUTES OF PREVIOUS MEETINGS

1. November 14, 2006. Director Orth moved to approve the minutes as written; Director Ziady seconded and the motion carried unanimously.

G. SPECIAL PRESENTATION

John Wanger, P.E. – Coastland Civil Engineering – Prop. 218 and the Assessment Process.

Coastland Engineering has done approximately twenty Proposition 218 ballot measure, and this was why Mr. Chapman asked him to speak to our Board. Mr. Wanger said that he and Mr. Chapman spoke at length in his office a month ago about the proposed future dam projects for the District. *[Due to the importance of the subject General Manager Chapman asked staff to include all of Mr. Wanger's comments, therefore the following report is somewhat long.]*

Mr. Wanger began by saying that assessment districts are a mechanism used to fund capital projects when an entity does not have the cash available. There are two types of assessment districts available; one is organized under the Municipal Improvement Act of 1913, and the other under the Improvement Bond Act of 1915, both being regulations within the California Streets & Highways Code. Assessment districts like Brooktrails would use actually sell bonds secured by real estate, both land and improvements. The government body authorizes sale of the bonds which are financed over a 20- or 30-year period; the bonds are like having another mortgage on your property. It shows up on your property tax bill, split into two payments each year just like property taxes.

The funds raised by sale of the bonds can not only finance construction, but also engineering, the environmental process, assessment engineering, and any other administrative cost. The disadvantage of the assessment district is that it adds about 20-30% to the cost of doing the job because it adds all kinds of

procedural costs. This process can take six months to four to five years depending on the complexity of the project.

The first step is preliminary engineering, and Brooktrails has already hired consultants who have produced some preliminary design plans. This gives the District a feel for the magnitude of the improvements and for some cost estimates, and some options for how to finance this. Next you figure out if assessment districts are the way you want to fund it. Next you hire an assessment engineer. The Streets & Highways Code is set up so that a registered California civil engineer has to do an engineer's report.

The assessment engineer draws up a map and asks who will benefit from the project. A boundary map outlines everyone who will be associated with the improvements and benefit from them. You then know how many lots and types of properties are within the district. The assessment engineer works with the design engineer to get some cost estimates and to figure out how to spread those costs over the properties in the assessment district. A "method of spread" is developed. Mr. Wanger said he knew there were developed and undeveloped lots here; he said his understanding was that many vacant lots will suddenly become developable and that was a very special benefit. Existing properties may receive additional fire protection, or additional storage. You develop a method of how you will actually take the money needed for construction and spread that over the parcels in the district. Sometimes parcels will receive no benefit, and therefore you cannot assess them. This is because the document you will end up with has to be legally defensible.

At some point there will be other people involved. One is an attorney to act as bond counsel; this is one who specializes in assessment districts and making sure that you are on solid ground legally, because the last thing you want is a methodology of spreading costs that has a challenge and is held up in court battles for years, and you find out that you either have to re-do the spread, or simply have lost a year.

After you've come up with your preliminary way to distribute the costs, you have the first of several informational meetings. Notices are sent to all the people in the assessment district to explain the project, the procedures, the estimated cost and time frame. You want to begin exposing everyone to the procedure. After a couple of those informational meetings, a common practice is to circulate a petition to the people within the assessment district. This may take a while given the number of parcels. This gauges the amount of support in the district. Typically, if you have a 50% interest showing up on the petition, you know you will have a solid procedure going forward and will have the majority of the vote behind the procedure.

If you have adequate support, you move to form the assessment district. You bring it before the governing body for consideration; you record a map for the district boundaries with the County Recorder. Then you begin the assessment engineering. The team is the assessment engineer, the design engineer, the bond counsel; if bond sales are involved you will have a financial advisor. You will also probably have an environmental consultant. Once the map is approved and recorded, there is a Resolution of Intention that has to be passed that says the governing body is entering into the process with the intent to form the assessment district and go forward with the proceedings. Then you formally commission the engineering report.

After that two things happen. Your design engineer and environmental consultant will be working at plans and environmental clearances. At the same time the assessment engineer will be working on the report, refining the methodology of spread, refining the cost with information from the design engineer, and moving forward with the documentation. A good rule of thumb is that by the time you enter into the official assessment process your plans should be at about the 50% level, because by the time the assessment engineer finishes the engineer's report, you will want to put the construction plans out to bid. There are certain things mandated by the Streets & Highways code for inclusion in the engineer's report: you have to describe the improvements, the details of all the costs associated with the District, including financing, administrative, design, environmental or whatever incidental costs there are; list all the properties with an assessment number for every parcel within the District. It outlines the method of spread that will apportion the costs, the special benefits received by the parcels, the costs that will be assigned to each parcels. There are a couple of required public meetings after that. You have to outline the exact dollar amount assessed on each parcel. An assessment diagram is included which is a refinement of the original map and shows all the parcels in the district.

Mr. Wanger said it was his recommendation that a series of public meetings be held. Eventually you get to the point where your plans are completed, your environmental process is just about done, your assessment engineer has finished the engineering report and it is ready to be presented to the governing body. It is preliminarily accepted, which doesn't mean it is being approved, but is being received.

This starts another time frame. Official notices and ballots are sent out to each of the property owners within the District. This starts the Prop. 218 process. The notice has to notify each of the affected property owners that there will be a public hearing, at least 45 days after the mailing of that notice. At that hearing they have the ability to voice protests. The notices must be prepared individually for each property owner listing parcels and their assessments. You send out the notices, set the public hearing for at least 45 days from that mailing, have one public information meeting within that time period for final questions, let people see the final engineering report, and open the bid documents. Just before the engineer's report is filed with the Board, you'll probably want to put your project out to bid.

Mr. Wanger confirmed for Director Orth that the 20% reserve within the cost estimate can be included within the process. The fine line is that you want to be sure you have enough contingency, but you don't want to throw in so much contingency that the assessments get too high. Typically you see it up to 20%. Hopefully when you open your bids you'll find they are within the cost estimates of the engineer's report. If they are, you proceed with the public hearing. If they come in higher, even over the contingency

amount, the Board would have to decide: (1) that you have to find the extra money from some other method, or (2) you will stop the proceedings, revise the engineer's report, re-send notices, and start the public hearing process over again. You cannot come in at the last minute with a higher price; it is not allowed under Prop. 218.

Assuming that the bids come in within range, you proceed with the public hearing which is required under both Prop. 218 and the Streets & Highways Code, which is a public protest hearing. Also, taking a step back, when you mail out the notice you include an assessment ballot with a return envelope; property owners can indicate if they are for or against it and mail it in before the public hearing, or hand it in at the public hearing.

Director Orth asked if this was a weighted vote according to benefit, or a one property/one vote situation. Mr. Wanger said the weight of the vote is by dollar assessment amount. A property being assessed \$10,000 has 10,000 votes. President Skezas asked if each lot would be necessarily assessed a separate amount. Mr. Wanger said yes. The assessments are tied to the APNs that the county assigned, so when you go through the engineer's report, dollars are assessed to each APN. He confirmed for President Skezas that every parcel is assessed separately and gets a separate ballot. A person with 100 lots would get 100 ballots and each one would have the dollar amount for that lot. You will get a number of ballots that are mailed in; these have to remain sealed until after the public hearing. People can protest at the hearing and have their ballots in hand. After closing the public hearing an independent party not associated with the assessment district counts the ballots. It is a public process. You log this in and have a spread accounting for each. Eventually you come back with the findings of the ballot count. If on a dollar-weighted basis a majority protest exists — the number of ballots in opposition exceeds the number in support — the assessment district cannot go forward and this cannot be overridden. This is based on the ballots actually received.

If the majority of the ballots are in favor of forming the assessment district, it can be formed. The governing body says the district is officially formed, the map is recorded, and they authorize that the assessment be levied against the properties within the district. They typically will also authorize the improvements to be constructed. Within days after the public hearing, a mailing goes out called a Notice of Assessment to all the affected parcels and announces the assessment has been approved; it allows the recipient to pay the amount within 30 days in cash, or accept the assessment over a 20- or 30-year period. The advantage of coming in and paying cash is the same as paying cash for a house. Sometimes a small portion of people will not want it on their tax bill. Once the 30-day period ends, a list is prepared of all the unpaid assessments. At that time you have a dollar amount of bonds that can be sold. You work with the financial advisor and bond underwriters at that time.

Director Orth asked if anyone could pay off in cash after those 30 days. Mr. Wanger said yes; there are fees to do so. Director Orth asked about lot mergers and said he understood that once the assessment is placed on a lot, it is still carried even if it is merged with another lot. Mr. Wanger said his experience has typically been the other way, where a parcel is subdivided. In that case, you take the assessment on the one parcel and split it into two and notify the Assessor's Office. He said he imagined if the two parcels were combined, there would be one assessment, but no reduction in overall assessment. Discussion followed by Director Ziady that when lots are merged, the benefit for the merged lot is lost. Mr. Wanger said that the assessment process was based on certain conditions that can't be changed later and they will still have to pay the assessment. He confirmed that already-merged lots will only have one assessment.

Bob Terry asked about the cash payoffs and whether they would get a refund because of the cushion it provides for the overall bond issue. Mr. Wanger said the engineer's report would reflect the actual construction cost received by bid with a level of contingency. If a property owner pays it off and there are funds left over after construction, typically those funds are used to pay down the end results of the bond issuance.

Then the bonds are sold and the monies are put into escrow and/or trustee accounts, along with the proceeds from any cash assessment payments, are used for the improvement construction as well as repaying the District for engineering, etc.

If on a typical vacant lot the assessment is \$10,000, sometimes you simply pull up the County records and see what their land or improvements value is, but as a rule of thumb you do not want the assessment to be in excess of a third of the value of the property. There might be some variances, but overall, for the district as a whole, you don't want the bond valuation to be more than a third of all the assessed value within the district. This is because buyers of municipal bonds want assurance that there is land-based value enough to cover defaults. This is true even though everyone realizes that the assessor's value is typically not the full value. He has seen districts hire appraisers to go out and value the properties. He said they will look at the lot's value once it is improved. If you are running into problems meeting the one-third threshold, the appraiser would say upon receiving the benefit of the assessment district the lot's going to be worth \$100,000.00.

Mr. Chapman asked Mr. Wanger to discuss the need to get water rights first. Mr. Wanger said you have to have all your ducks in a row, because in short order you will have to bid and construct that project. He said he had been involved in assessment districts where they throw in a contingency knowing that the project won't be built for several years, but they are running a big risk, because you may have authorized something that really can't be pursued. He said bond counsel would strongly advise not to sell bonds until you have opened bids, because otherwise you're placing a lien on someone's property, they're not receiving a benefit and there's no assurance that that property will ever be built. He referred to the 45-day period

before the public protest hearing where the water rights, environmental and design processes have to be done.

President Skezas received clarification that the assessment passed with the property and there was an actual assessment lien. Mr. Wanger noted that an owner did have the option when selling a property to go ahead and pay the assessment off. Mr. Wanger also noted that the timing of when the assessment is approved during any given year will have an impact. The best time to get the engineer's report finalized and enter your 30-day cash period is June or July of any given year. This is because every assessor wants to have their tax bills squared away by August 15. If you don't make that date and aren't able to get the assessments on the most recent upcoming tax roll, you have to include a line item called "Capitalized Interest" in the financing which could be up to a year's assessments for the entire district, which can be over \$1 million.

President Skezas asked, if someone pays the assessment during the 30-day period, would that increase the value on their home. Mr. Wanger said he felt it would, because it wouldn't have a lien on it that another property would have.

Rich Estabrook asked what the ballpark cost for a total assessment district would be. Mr. Wanger said it's not uncommon, for a \$10 million project, for the overall cost to be about 20% additional cost, sometimes as high as 30%. He confirmed that can be rolled into the assessment. Mr. Estabrook said he was confused about the dollar vote versus the majority of lots vote. Mr. Wanger said let's say everyone turned in their ballots, and you had \$5 million plus \$1 against and \$5 million for, the assessment district cannot go forward. If you had \$4 million against and \$6 million for, it can.

Bob Whitney said some of the lots are in areas outside of our Specific Plan—Sylvandale and Spring Creek. Sylvandale does not get served by water. He asked if when we're talking about the district, it is the water services district. Mr. Wanger said we have to spread the assessment cost based on the benefit received by the parcel. If there were unbuildable parcels or parcels outside of the area that's ever going to receive benefits from water, they would be assessed in proportion to the benefit they receive. If the benefit was nothing, they would be assessed nothing. He said you will have different levels of methodology. Some undevelopable parcels will receive a benefit of fire protection.

Mr. Whitney asked if the project proposed could not serve all water district lots that do not have service currently, which is the current description of the project, how you would reconcile that in the assessment. Mr. Wanger said if only 4,000 of the 6,000 lots are served by water but the remaining 2,000 will never be able to benefit from it, just off the top of his head he would say you can't assess those parcels for something they will never receive a benefit from. Director Orth said we originally had bonds sold under the 1913 and 1915 act and asked what had changed now, since we couldn't serve all the lots with those improvements then either. Mr. Wanger said without knowing the details of the original bonds, he couldn't say. Director Orth said that is a question we'll have to answer through the process.

Claudia Reed said her understanding was that the project could never serve more than 4,000 lots, but there were 6,000 lots, some of which were unbuildable, some of which have been or would be merged, and she understood that it would depend upon who gets there first. Mr. Wanger said there was an assessment district for the Rural North Vacaville Water District for installation of water wells, pump stations, tanks, pipelines. Some of the parcels were never going to front on a road that had the water lines, but by the fact that they were within "x" amount of feet of a reservoir or fire hydrant, there was a level of benefit they would receive because a fire tanker could fill up. He said there are all kinds of things that come into play.

Director Williams said he felt there could be a rush if we inform that there will not be enough water for all — and they had better not wait. He said he did not want to start a process where we were presenting the engineer with perhaps an impossible equation. Mr. Wanger said it would be wise to get a bond counsel involved in this.

Bob Turner asked what the project could serve. Mr. Chapman said he felt it was about 3,600 homes total; that the expansion was worth about 1,000 homes each for the two reservoirs. It might be squeezed up to 4,000, as per Richard Estabrook's calculations were showing. But, he said, he felt that consumption usage might increase when people see reservoirs that are actually full.

Mr. Chapman asked how many units had to be mathematically computed in the \$65,000 fee case Mr. Wanger had referenced. Mr. Wanger said there were about 800. Mr. Chapman advised we were much larger. Mr. Wanger said they had also had districts with 6,000-8,000 parcels, and that it depended on the complexity and methodology.

General Manager Chapman and the Board thanked Mr. Wanger for his presentation.

H. PUBLIC HEARING

None.

I. PUBLIC COMMENTS

None.

J. CONSENT CALENDAR

2. Review of Accounts Payable report and authorization to issue checks. Director Orth moved to approve payment of the outstanding invoice report; Director Horrick seconded and the motion carried unanimously.

3. Retroactive approval of preauthorized second November check run. Director Orth moved to retroactively approve payment of the checks issued on November 29, 2006. Director Horrick seconded and the motion carried unanimously.

4. Authorization of second check run in December. Director Orth moved to approve the second check run to be approved at the January 9th meeting; Director Horrick seconded and the motion carried unanimously.

K. ACTION AGENDA

5. Brooktrails Second Access Road – Finding of Adequacy of Willits 101 Bypass EIS/EIR as required by the Brooktrails Specific Plan. Director Orth passed out a handout for the audience and pointed out large-format tabletop displays of the bypass route and related material. The project now described by the EIS/EIR has basically brought Brooktrails to a turning point in the second access road, he continued, because basically we have been waiting for the bypass choice. He continued that we can now make recommendations to Mendocino County as the lead agency and to CalTrans that we find adequacy of this project as it provides for a northern segment county road (the old 101 segment). Director Orth said that does give the opportunity to design the second access road and move it forward to its own EIR process. He noted that this agenda item was strictly for a motion to notify the County and the other agencies that we have made the described determination, and the next agenda item would discuss funding for the bypass.

Bob Whitney said he was in favor of a second access road but felt it was prejudicial to make a finding that it had to be from Sherwood Road. He said that while Brooktrails has no authority over the matter, our recommendations will be strongly influential. Director Orth said until we got a determination from CalTrans, the County couldn't make a determination on the second access road. President Skezas said the proposed motions did not mention Sherwood Road. Director Orth moved to find that the Willits Bypass Environmental Impact Statement and EIR is adequate and provides a project description that allows Brooktrails Township, the County of Mendocino and the Mendocino Council of Governments to advance the Second Access Road project to full environmental and engineering studies leading to an EIR. Director Williams seconded. The motion carried unanimously.

Director Orth moved to send a letter to the County with our findings. Director Williams seconded. The motion carried unanimously. Director Orth moved to authorize the General Manager, as required by the Second Plan, to actively help coordinate full funding for the Brooktrails second access road. Director Williams seconded and the motion carried unanimously.

6. Discussion of Willits Bypass Funding. Director Orth said he hoped the Board would be taking an action to support MCOG in its request for funding for a full four-lane project to the CTC and that that was the motion he would be making.

Phil Dow, Director of MCOG, said the bond issue passed last month provided nearly \$20 billion in bonds which was divided up into several different programs. CMIA Account project proposals have to be in to CTC by Jan. 16 and the CTC has to adopt the projects prior to March 1. This program is for congestion relief and connectivity of state highway system in rural areas. For a number of reasons, the Willits Bypass is the high priority project. The legislature demanded that all these projects go to construction by 2012. The CTC is looking for projects that can be delivered by 2011; MCOG thinks the Bypass can be delivered by 2010. "Delivery" means it's ready to go out to bid.

As of Friday, December 8, 2006, CalTrans made their first checklist of projects they would be recommending to the Transportation Commission. Then MCOG decides what projects they want to take before the Commission. Those projects that get joint recommendations have a good chance. The Bypass has been recommended on the draft preliminary list; CalTrans has proposed that \$150 million of CMIA be used for this, and it is the only project on the list from District 1, which includes Humboldt, Del Norte, Lake and Mendocino Counties. Mr. Dow said the last estimates he saw were that we would need around \$177 million; CalTrans has recommended \$150 million, but he will recommend to the MCOG Board that they recommend \$177 million. The extra money would come from MCOG commitments and part of the State's share in the 2006 STIP augmentation cycle.

Mr. Dow said MCOG has scheduled a special Board meeting for around January 8, 2007 to get this in by the 15th to approve the CMIA submittal for \$177 million. Prior to that is their Technical Advisory Committee meeting with engineers and planners, which first makes a recommendation to MCOG in January 2007. They may need to commit the STIP money for this project. District Counsel Neary asked, assuming the funding was there within the next six months, why it would take to 2010 to get the project out to bid. Mr. Dow said the engineering isn't complete and right of way will probably take a couple of years. The plans and specifications have to be checked.

Bob Whitney asked what Alternative 3 would cost, that being that CalTrans would do the first phase —pave two lanes. Mr. Dow said an exercise was done looking at phased construction in case they couldn't get enough money. They saw a 12% reduction in the cost or about \$42 million. They projected out about \$350 million for the full project and somewhat over \$300 million for the phased alternative, which would cost you \$90 million if you were to come back later. CalTrans decided they would not pursue that because it wouldn't make economic sense to open up environmental issues again for a second phase of construction, and you don't know what the circumstances will be 10 to 15 years down the road. Mr. Dow said he believed for all intents and purposes that if we were forced into doing phased construction, we'll be stuck with what we have. He said when you look at what this project is getting compared to what other counties are getting, that isn't going to happen twice.

Mr. Whitney asked how much MCOG had set aside for the project. Mr. Dow said they put up their entire share in 1998, \$17.3 million. MCOG devoted \$14 million more this year for right-of-way purposes. Out of money appropriated locally they have \$31 million or so and may be asked to put in another \$11 million. In the rural areas, CalTrans expects to be partners on a 50/50 basis, but most of the big counties have sales tax revenue and have a lot of money. Obviously, we don't have that here; we only have our STIP, and it was determined quite a while ago that our share would be limited to 15% of the whole project.

Richard Estabrook asked how much of the \$356 million was actual construction costs; the CalTrans representative said it was \$253 million, including right-of-way. The mitigation rough estimate is about \$23 million.

Director Orth asked Hal Wagenet to make a closing statement. Supervisor Wagenet said he had been elected on the bypass issue and was pleased that it looked like it would become reality. He noted that the Specific Plan anticipates a connection to whatever the bypass will bring, particularly a northern interchange, we can now look forward to a possible second access. He said this is important for disaster preparedness. Mr. Wagenet said CalTrans had left out Brooktrails from the project, and he managed to put Brooktrails into their consciousness.

John Belinsky, Budget Manager with CalTrans, took the podium. He clarified that the environmental document is approved and signed off. The 30-day notice period expired on December 9. They now can obtain a record of decision (the federal document) and the notice of determination (state document). With those two documents approved the environmental stage will be finalized. That allows them to move on to the right-of-way acquisition phase and the design phase. Since this is a very complex project, they have prepared quite a bit of design work, approximately 50%. Along with that is the environmental mitigation required, which will require a final actual mitigation plan as a collaborative effort between CalTrans and state and federal agencies. The environmental document contained a conceptual mitigation plan. The final mitigation plan will take a minimum of six months. As parcels are identified for potential mitigation sites they will be acquired. One item not mentioned earlier was acquiring the necessary environmental permits, which cannot take place until after the mitigation plan is completed in the final year of the project. This results in a two and a half year project to get the project ready to bid, estimated for July 2009. There will be a two-month advertising period, the project will be awarded; work will be needed by the contractor prior to actually breaking ground, anticipated for late 2010.

Ellen Drell of the Willits Environmental Center asked Phil Dow about the \$150 million committed versus CalTrans's request for \$177 million. Mr. Dow said the \$150 million is what CalTrans is proposing out of the CMIA program for bond funds. There were two separate processes: the RTPA proposes what we want, which is \$177 million; CalTrans proposes what they want. That's where the \$150 million is. He said he would propose to MCOG that they propose \$177 million, the full amount.

Wallace Stahle asked about the Level of Service page, criteria for two-lane highways in Class I, and asked what Class I referred to. Mr. Dow said they divide two-lane highways into Class I or II. Class II are more like local roads, like Sherwood Road. It serves local access, not so much for a through highway. There will be a certain amount of driveways. Class I will be more of a thruway, not a lot of intersections or driveways; it's to move people through, not necessarily to access property.

Director Orth moved to support MCOG in making the full funding request for the four lane Highway 101 Willits Bypass project as described in the EIS/EIR. Director Horrick seconded. The motion carried unanimously.

Wallace Stahle said he was concerned about the future and the availability of energy and felt that in 10 or 20 years the two-lane advocates won't seem so extreme.

7. Determination regarding infeasibility of Third Dam as a viable project; Consideration of resolution authorizing specific actions pertaining to water supply projects (including petition to amend 1982 water rights application) General Manager Chapman pointed out diagrams of the proposed major water projects and said we were looking at trying to expand our existing reservoirs' footprints to get us out of the moratorium. He said he and Chris Neary, Hanson Engineering, and AES had met in Sacramento to work out a strategy to use with the CA Division of Water Rights. The 1982 third dam was designed for 2,452 acre feet and to be 120' in height; instead we plan to reduce the acre feet down to 1,015. This would be a cumulative project, with Lake Ada Rose the first and Lake Emily the second. The ultimate goal was to put ourselves more in line with the 1997 Specific Plan. We planned to amend our petition to enable us to retain our place in time for water rights. He noted that we were looking at Lake Emily for diversion and storage, and Lake Ada Rose for off-stream storage. He also pointed out that if Lake Emily were ever raised 15 feet, we will have to add construction of a fish ladder and fish intake valve.

The third dam was supposed to have been completed in 1990. Mr. Chapman said the goal was to make a finding about the third dam, and in January to amend the water rights petition. Water attorney Jan Goldsmith would make the presentation to the CA Division of Water Rights. Next summer we will have to do core drillings for Lake Ada Rose (for at least \$50,000), and we will have to do drillings above Lake Emily for another \$50,000. To keep on track for a potential 218 ballot measure we will have to kick off the environmental review next fall. Mr. Chapman reiterated that the biggest factor by far was the length of time it will take to get our water rights permit. He said he had had many conversations with aides to Patty Berg and Mike Thompson, and would contact Pat Wiggins when she is in office about this subject.

Mr. Chapman emphasized that water projects entail other projects and we will have to discuss additional projects in the EIR, such as a water tank on the airport side, the adequacy of our pipes for this kind of water volume, etc. Also, at around 2,200 SFRs we will have to address our sewer capacity. We also

have the second access road issue and a conversion issue with CDF for the required tree clearing around the reservoirs. Mr. Chapman continued that District Counsel Neary had prepared a draft resolution, which details three projects: Lake Ada Rose enlargement, Lake Emily enlargement, and dredging Lake Emily.

Director Orth pointed out that the rubber spillway did not include a fish ladder; Mr. Chapman confirmed this is part of the main project of raising the reservoir 15'.

Director Williams asked if we had to make the decision to abandon the third dam. District Counsel Neary said we were not abandoning the Willits Reservoir; when we do the environmental report, it's very likely that alternative will be at least considered. What we're really doing is notifying the CA Division of Water Rights that we need less water than that requested in 1982, and we want to amend our application to reflect that and start the paperwork to change the place of diversion and the place of storage. The CA Division of Water Rights continues to be confused because of the third dam references in the application. This was not so much a legal reason as a practical reason, but every time you talk to them, he said, they don't understand, because the application is different from our Specific Plan.

Director Orth explained that the Specific Plan came out of the environmental process for the third dam; Division of Water Rights said they knew that not all of the lots would be built on, and the District needed to determine what they really needed. This led to the Specific Plan. We weren't able under CEQA to do a LEDPA—that is, to describe the least environmentally damaging alternative for our community, as CalTrans did with the bypass. So we're doing this process to amend our plans because we think that it's very unlikely that we could ever put that third reservoir up that canyon, because of landslides. What we're doing is describing the most practical projects that might be Prop. 218-bondable.

Director Williams said he had a real concern about the language saying the amount of water we would need. District Counsel Neary explained we can only apply for water rights that we can demonstrate we can put to beneficial use. Our Specific Plan calls for 4,000 single family residences. Director Williams asked, if we do these two projects and max them out, is there a possibility that the third dam could be scaled way down, say to 1,000 acre-feet, or is there simply no possible use of that site. Mr. Neary said it doesn't preclude a future filing for more water rights. Director Williams said, but that's a very big line. Mr. Neary said it isn't a very big line for the Eel River, which is not heavily appropriated.

General Manager Chapman said we knew we would have a serious issue with a slide on one side of the third dam, so we were trying to proceed with things that we know are potentially doable. In response to Claudia Reed, District Counsel Neary said there were a number of reasons why the build-out figure of 4,000 was arrived at in the Specific Plan. One is that there is a percentage of lots that are physically not capable of being built on; there are other lots that won't be built on for economic reasons. The Specific Plan envisioned a process of trying to reduce the size of the community over a length of time and set a goal of reducing so many lots per year. There will be a process over the life of the Specific Plan, for 20 or 30 years, to reduce lots by merging and other policies. The subdivision took 30 years to get to 1,500 homes. If you assume the same pace of development in the future, it would be another 30 years before the Specific Plan's build-out goal would be reached. It may come faster, in which case our successors will have to come up with other ideas for infrastructure.

Bob Whitney said SFR does not mean "single family residence," but means "single family residential equivalent," because of things like the golf course, commercial, schools, multi-family, resorts like the Lodge. He suggested this be corrected in the resolution, because it does say residences and there is a big difference. He said he supported the resolution, and strongly supported putting a stake in the heart of the third dam, which he had opposed since 1983. He said if you were to build out, you are on the right direction, because these projects are feasible. He said he had been informed that building on top of an existing footprint would save the citizens a lot of money. He noted that the Specific Plan describes in detail the program District Counsel Neary was alluding to, which is that if these projects are approved in an EIR, very likely they will implement the Specific Plan recommendation which would be to publicly fund a lot merger program. He said you can't rely on it if it's purely a volunteer program, and if you actually implemented this you'd have to say for sure you're going to end up with 3,800 single family residences. You'd have to guarantee that, so it would have to be publicly funded as well as voluntary. He said once you start going through the Prop. 218 process, your engineers will tell you that you will have to have say \$5 million to buy some lots, merge them, and then put them back on the open market. He said he thought that Lake Ada Rose would also require a timberland conversion. He felt the impact of a timberland conversion will actually be far greater in the case of Lake Ada Rose. He said he would advise the District to look into an exemption; he said he had helped the Willits Airport get an exemption for public property, which CDF had wanted a timberland conversion for.

District Counsel Neary said that paragraph D on the last page of the resolution should say "SFRs" rather than spell out "single family residences." Mr. Whitney referred to the second "Whereas" of the resolution and supported the use of the term "infeasible" as opposed to "abandoning" the project. In the third "Whereas," he suggested changing "single family residences" to "SFRs." On the fourth "Whereas," he said raising Lake Emily had been left out; he said the spillway, raising Lake Ada Rose and dredging only were included. It was explained that the spillway was replaceable onto an expanded Lake Emily. District Counsel Neary suggested where three potential alternative projects were mentioned, that we should cross out the word "alternative." Mr. Whitney asked about Paragraph 1(a) and its reference to changing the point of diversion. District Counsel Neary said the point of diversion would be moved down to Lake Emily. Mr. Whitney and District Counsel Neary again discussed the use of the term "SFRs" and Mr. Neary suggested using the term "single family residence equivalent" instead.

President Skezas said there was a proposed motion to determine that the Willits Creek Reservoir Project, commonly referred to as "the third dam," is infeasible as a water supply project for the District. Director Orth so moved; Director Williams seconded. The motion carried unanimously.

Director Orth moved to approve Resolution 2006-30 authorizing specific actions pertaining to potential water supply projects, amending "SFRs" to "single family residential equivalents," adding the word "and" as described, eliminating the word "alternate" as discussed, and adding the word "the" as discussed. Director Horrick seconded. Roll call vote was as follows:

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| AYES: | Directors: | Williams, Ziady, Orth, Horrick, Skezas |
| NOES: | Directors: | None |
| ABSENT: | Directors: | None |

8. Finalize Rubber Spillway CEQA Process; Consideration of Resolution Adopting Mitigated Negative Declaration and Notice of Determination. General Manager Chapman reviewed the hiring of AES to do the environmental review of the rubber spillway project, the preparation of the Mitigated Negative Declaration, filing of a Notice of Intent to Adopt, submission of permit applications and payment of fees therefore. Four comments had been received and responded to by AES. The next step was to approve and adopt the Mitigated Negative Declaration, declare it final, and approve the filing of a Notice of Determination with the County.

Director Orth interjected to say that he wanted a monthly agenda item on the question of residents obtaining raw water for irrigation use during the rubber spillway water rationing. General Manager Chapman said he was working on this regularly, and had just met with a water purveyor who was buying a 4,000-gallon truck and preparing to service the area.

Bob Whitney said he liked the responses to comments, but on page 3-4, Response to Comment 3-2, he said this didn't really answer the question. The issue is not how wildlife should behave but how they do behave. He also said regarding the water rationing for the spillway construction that it was not a simulation, it was an emergency created by the District. He said the mitigations are obviously inadequate. He said he was not going to stop the project because there was a certain timetable. He said the District knows that people can go out and get the pepperoncini barrels, and they don't need the tanks. He said again he was in favor of the project but that you're going to have to really think seriously about people taking advantage of the emergency by selling exorbitantly priced water out of tankers.

Director Williams said it has been discussed that there will have to be a drawdown of Lake Emily and people are encouraged to acquire local storage capacity and use the existing water system to draw down Lake Emily. Robert Melliush, Utilities Superintendent, said that when you have an alternative water device on your property, you have to have a backflow device to prevent it going to your system, and you can't put a hose in it, and if we had a water line break, it would actually suck that water out of that tank into our system. Mr. Chapman said it is an issue in our own ordinance as written. Director Williams said you'd have to have a tank that had no connection to the system. Mr. Melliush said there is no guarantee that somebody won't put a hose from the house into that tank, and it's happened so many times and people got ill from it.

Wallace Stahle said information sources should be used besides the newspaper and letters to customers of record, possibly some roadside information like we have for fire clearance.

Richard Estabrook took the podium and asked if people will have enough water until August to fill up tanks. President Skezas said we can't determine that until July or so because we don't know where our water level will be. Mr. Estabrook said he thought we could determine that very early on in the spring. He said let's think about the idea; it is interesting but sounds like it would be a real nightmare trying to coordinate and implement that, and trying to get the word out District-wide about anything is difficult. Trying to get the word out that storing water prior to August 15 is fine, but if you store after that you'll be heavily fined and cut off, and making sure they don't store too much water. He referred to a handout memorandum and a graph he had prepared showing projected water supply during the rationing. He said we'll have 35 acre feet less on August 15 than we had this year, assuming Lake Ada Rose is full, and he had concerns about that, although, he said, Robert Melliush may have fixed that already. Mr. Estabrook said he didn't think we could pump water from Emily to Ada Rose when Emily gets that low and you might be getting a budget item for some pumping equipment to make that happen. Mr. Chapman said we were going to use one of our backwash ponds, which are 100,000 gallons. Granted, he said, that's only one-third of an acre-foot and not that big, but we can take water down from Lake Emily and then pump it back up. Mr. Estabrook said even if you used 100% of the water out of Lake Emily and didn't touch Ada Rose, Ada Rose is looking to drop down by about 2 feet due to evaporation, and it would be a shame on August 15 to have a little bit of extra water in Lake Emily and have to flush it down Willits Creek instead of pumping it up into storage. So, he concluded, that pumping capacity is really important.

Just for comparison with the chart he had handed out, he said, our lowest point this year was on November 12th with 104 acre-feet and then we started to get some rain and come up a little bit. With 171 acre-feet to start with on August 15 [2007], we'd have about 60 acre-feet on November 12 and it'll be really, really tight. He said Mr. Chapman had a figure of about 5,000 gallons per month as the rationing figure, and Mr. Estabrook confirmed that 5,000 gallons/SFR had to be the average in order for us to have an adequate water supply, and he felt the actual rationing will be slightly higher than that. Mr. Chapman said in November over 1,000 homes used less than 5,000 gallons, and he wanted to know if the Board wanted him to educate the other 500 homes as to the fact that they were using more than 5,000 gallons. Next year, he said, we're going to have to cut people off who are really abusing the system; there's just no getting around it.

President Skezas referred to the pending Resolution and the suggested motion on the floor. Director Williams so moved; Director Ziady seconded. Roll call vote was as follows:

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| AYES: | Directors: | Williams, Ziady, Orth, Horrick, Skezas |
| NOES: | Directors: | None |
| ABSENT: | Directors: | None |

9. Consideration of amendment of AES contract to expand scope and increase cost. General Manager Chapman said that AES needed to perform additional tasks above the original scope of work, which had been authorized up to \$76,000.00. Although AES had requested \$9,500.00 be added for specified tasks, Mr. Chapman suggested the amount be increased by \$20,000.00 instead, because he wished to be able to call on Pete Bontadelli for consultant services in these ongoing negotiations with CA Fish & Game and other government regulators and would have to come back to the Board soon with another request in any event. Director Orth moved to increase the payment limit by \$20,000.00. Director Ziady seconded and the motion carried unanimously.

J. ADDITIONS TO FUTURE AGENDAS

None.

K. SPECIAL REPORTS

From Directors: None.

From District Counsel: None.

From General Manager: General Manager Chapman said that the sewer line repair was going to be over 400 feet in total and around \$31,000.00. He asked if the Board wanted him to send a letter to customers using over 5,000 gallons/month. Director Orth said he wanted to be sure the letter was by counsel so we don't get into any trouble, but he thought one could be forwarded every month from now on. Mr. Chapman said it will be very expensive and he did not think it should be done very month, but pinpoint them. Director Orth said it could be part of the water rationing agenda items and the educational process. President Skezas asked if there was consensus that 5,000 was the right number and Director Williams commented that for right now it was fine.

L. PUBLIC COMMENTS

None.

M. ADJOURNMENT

Director Horrick moved to adjourn, and President Skezas declared the meeting of December 12, 2006 closed at 10:19 p.m.

GEORGE SKEZAS, President

ATTEST:

MICHAEL V. CHAPMAN