



# **HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

**Board of Directors Meeting**

**March 2018**



# MINUTES



Minutes for Meeting of Board of Directors

February 08, 2018

A. **ROLL CALL**

President Woo called the meeting to order at 9:01 am. Director Rupp conducted the roll call. Directors Fuller, Latt, Rupp and Woo were present. Director Hecathorn arrived at 9:40 a.m. General Manager John Friedenbach, Superintendent Dale Davidsen, Business Manager Chris Harris and Board Secretary Sherrie Sobol were also present. John Winzler and Pat Kaspari were present for a portion of the meeting.

B. **FLAG SALUTE**

President Woo led the flag salute.

C. **ACCEPT AGENDA**

On motion by Director Latt, seconded by Director Fuller, the Board voted 4-0 to accept the agenda.

D. **MINUTES**

On motion by Director Rupp, seconded by Director Fuller, the Board voted 4-0 to approve the Minutes of the January 11, 2018 Regular Board Meeting and the January 17, 2018 Special Board Meeting.

E. **PUBLIC COMMENT**

Two members of the public provided comment. Sean McLaughlin stated he is with Access Humboldt and they provide audio and video access to public meetings as well as production needs. He noted the District's Board room is set up well for audio visual communication. He realizes the cost to set up a room for audio visual streaming can be expensive, however he noted that costs have come down in the past few years. He suggested that if other boards or committees use our facilities, perhaps the entities could cost share the expense to have the room set up. Director Rupp stated the Board previously looked at this but the District bears all costs to get the room set up with the technical equipment. The Board could not justify the added ratepayer expense at that time. Mr. McLaughlin reiterated that costs have decreased and will send an estimate for the Board's consideration at a later date.

Elaine Weinreb stated she often uses the archives at Humboldt Access to get information and watch meetings she was not able to attend. She would love to be able to see the Humboldt Bay Municipal Water District meetings as well. She stated she appreciates the District's agenda and board packet being available online.

F. **CONSENT AGENDA**

Mr. Friedenbach stated Item 1 is listed as discuss. This is an oversight and will not be discussed unless the item is pulled. President Woo requested Item 3 Humboldt Steelhead Expo be pulled.

On motion by Director Rupp, seconded by Director Fuller, the Board voted 4-0 to approve the Consent Agenda, less Item 3.

3. **Humboldt Steelhead Expo**

President Woo stated she pulled the item to thank Mr. Friedenbach and Ms. Sobol for representing the District at the event. She also acknowledged Director Fuller was there and conducted a tour as a representative of the Blue Lake Rancheria. Director Rupp stated he was there as a visitor and it was a



Minutes for Meeting of Board of Directors

February 08, 2018

wonderful event. President Woo agreed and she also visited the event. Mr. Friedenbach suggested the Board might want to consider helping support the event in the future. This can be discussed during the budget process if there is interest. On motion by Director Fuller, seconded by Director Rupp, the Board voted 4-0 to accept Item F3.

**G. CORRESPONDENCE**

Humboldt LAFCo request for nominations

Mr. Friedenbach stated LAFCo is requesting nominations for District members to serve on LAFCo. He shared the request for nomination and the forms. Director Rupp stated he served on LAFCo for two years and enjoyed it. He provided some additional background information. He also noted that Troy Nicolini is doing a good job and it would be difficult to run against him. No action was taken.

Lifting emergency request re: Montecito

Mr. Friedenbach shared the notice from ACWA that the emergency request from Montecito Water District for materials needed to repair damaged infrastructure has been fulfilled. He noted that Mr. Davidsen offered some piping, however they declined the offer.

Sonar Estimation of Chinook Salmon

A few years ago, the District entered into a Memorandum of Understanding with the California Department of Fish and Wildlife to allow access to District property and installation of a Didson unit to help estimate the returns of wild adult CC Chinook Salmon to the Mad River during the 2013/14 (pilot year) and 2014/15 seasons. The report on the study is now available and Mr. Friedenbach shared the report with the Board.

**H. CONTINUING BUSINESS**

Water Resource Planning

Staff is still waiting to hear from the Wildlife Conservation Board regarding the application for instream flow grant funding.

Cannabis Grows

Mr. Friedenbach shared a couple of articles on the environmental impacts from illegal cannabis grows. One article stated a UC Davis study shows that rat poison from illegal cannabis grows is harming the federally endangered northern spotted owl. Seven of the ten northern spotted owls that were found dead in the Emerald Triangle were found to have high levels of rat poison. Rat poison is also linked to the deaths of Pacific fishers in Humboldt County. The Hoopa Valley Tribe and Humboldt State University coauthored the study. The second article noted that pot growers have turned public lands into industrial agricultural sites and the ecosystem effects are alarming. Animals at risk include coho salmon, pacific fishers and spotted owls.

The Board inquired about the status of illegal cannabis grow enforcement on the Mad River. Mr. Friedenbach stated he now has a framework of questions to ask the Department of Fish and Wildlife enforcement unit based on the muni group discussions and he will find out what kind of financial support is needed for additional enforcement. Director Latt stated a proposal needs to be made soon given that the season will soon begin and inquired if Mr. Friedenbach could report back at the March meeting regarding enforcement on the Mad River for water theft and water quality. Mr. Friedenbach stated yes. Director Rupp noted this is a complicated issue and he appreciates the efforts being made.

\* Supporting material included in Director books





Minutes for Meeting of Board of Directors

February 08, 2018

---

Planning Commission Appeal

Director Latt stated he would recuse himself from the discussion, however he had a question regarding the article written by Larry Glass. The third paragraph stated that Jeff Smith, a representative for Mercer Fraser, asserted that heptane and acetone would be stricken from their proposal. Director Latt inquired if the statement was correct. Director Rupp replied that no formal action was taken noting it as a condition of approval. Mr. Friedenbach added the District received the revised permit conditions and that heptane and acetone were not listed as prohibited.

Director Latt recused himself from the Board discussion. He did make a comment as a member of the public. He questioned the premises on which the Planning Commission determined that the cannabis concentration manufacturing project would have no impact to water quality. No EIR was conducted and the impacts of a flood event or delivery accident were not addressed. Director Latt then left the premises.

Director Rupp confirmed that even though the District has property adjacent to the Mercer Fraser property, the District received no written communication regarding the proposed project. Mr. Friedenbach stated this is correct. Director Fuller added the Planning Department also confirmed they have no record of contacting the District. Mr. Friedenbach provided background on a call he received on January 2<sup>nd</sup> from Supervisor Rex Bohn stating that Mercer Fraser had a development they were working on and would be using their own well and using about 240 gallons per day. He asked Mr. Friedenbach how this would impact the District's operations. After consulting with operations staff, Mr. Friedenbach replied this would not impact operations. Mr. Friedenbach stated when the Public notice came out it listed Heavy Industrial activities, use of solvents, etc that were not discussed in the phone call. Additionally, at the Planning Commission meeting on January 11<sup>th</sup>, Mark Benzinger of Mercer Fraser stated they would be using about 15,000 gallons per day from their well. Mr. Friedenbach noted this is very different from the 240 gallons per day discussed in the phone call from Supervisor Bohn.

Mr. Friedenbach stated the City of Arcata and Eureka and the McKinleyville CSD are supportive of the District's appeal to the Board of Supervisors. He noted that the three municipalities are equivalent to 78% of our ratepayers by water volume. Staff is requesting direction from the Board on how to proceed. President Woo inquired if any members of the public would like to provide comment. Mr. McLaughlin thanked the Board for their focus on water quality. He appreciates the Board staying focused on their mission and feels good knowing they are looking out for us. Ms. Weinreb also thanked the Board for staying on top of the issue. Director Rupp stated he feels strongly the District should stay the course and continue with the appeal. He recently met with Supervisor Bohn and shared the Board's concerns. Directors Fuller, Hecathorn and President Woo also agreed to continue the appeal. President Woo inquired if supporting HBMWD's appeal was on the agenda with the District's other four municipal customers. Mr. Friedenbach stated we are on the agenda with Manila CSD and City of Blue Lake. He will know later today regarding Humboldt CSD and will follow up with Fieldbrook Glendale CSD. The Board directed staff to move ahead with the appeal.

CLOSED SESSION- to discuss potential litigation-pursuant to Section 54956.9 (c) of the Brown Act



Minutes for Meeting of Board of Directors

February 08, 2018

The Board went into Closed Session at 1:45 pm. Director Latt recused himself just prior to the Closed Session and left the premises. The Board returned to open session at 2:30 pm. There was no reportable action. Director Latt returned at 2:37 pm.

CLOSED SESSION- Public Employee Performance Evaluation for General Manager (pursuant to Section 54957(b)(1))

The Board went into Closed Session at 4:05 pm and returned to Open Session at 5:20 pm. President Woo stated that based on the General Manager’s evaluation, the Board would like to provide a merit increase of \$3,000 for a yearly total compensation of \$134,328 effective July 1, 2018. No public comment was received. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve the merit increase.

I. NEW BUSINESS

District Safety Program

Mr. Friedenbach provided background and highlighted the components of the District’s Safety Program. The District pays \$200 incentive to each current full-time employee that has been employed for at least six months and meets criteria to be eligible for the award. The District awards a grand prize of \$500 based on a drawing of all eligible employees. The winner this year was Brian Newell. President Woo presented Mr. Newell with his certificate and grand prize check. Mr. Newell thanked the Board for their support and commitment to safety.

H.R. LaBounty Safety Awards Program

Mr. Friedenbach stated the Maintenance Department submitted a nomination for the H.R. LaBounty Safety Award. The project submitted was Fabrication and Design of a New Pressure Washer Trailer. Mr. Friedenbach noted they submitted the project as team, not as individuals. This emphasizes the team’s commitment to safety. Mr. Davidsen explained the Pressure Washer Trailer conception and design. Director Rupp stated he appreciates staff at the management level being supportive of applying for the award and the maintenance department getting well deserved recognition for their creative, productive efforts.

J. REPORTS (from Staff)

1. Engineering

Collector 1 & 1A Project Completion Report

Mr. Friedenbach shared the Project Completion Report for the Ranney Collectors 1 & 1A Rehabilitation Project. He stated the report was completed by Samantha Ryan, the District’s newest employee. He added that he is very impressed by the quality of her work and she is doing an excellent job.

Blue Lake-FG CSD Water Line Replacement over Mad River (funded by Prop 84 NCIRWMP grant and FEMA Hazard Mitigation Grant)

1. Letter from CalOES granting time extension

The District received a letter from CalOES granting an extension of six months. The previous completion date was May 7, 2018. The new completion date is November 7, 2018.

2. Release Project for Bid



Minutes for Meeting of Board of Directors

February 08, 2018

Mr. Kaspari shared the plans and specifications for the project and requested approval of the plans and specs and authorization to go out to bid. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve the plans and specification and go out for bid.

3. Draft Construction Easement

Mr. Friedenbach shared the Agreement and Temporary Construction Easement drafted by legal counsel. He stated he feels the cost of the easement is fair at \$20,000. The breakdown per month is about \$2,500. He also noted the Sundbergs (owners) are in the process of a lot split. On motion by Director Fuller, seconded by Director Hecathorn, the Board voted 5-0 to approve the easement.

4. Annexation by FGCS D of Sundberg property

Mr. Friedenbach stated that the Fieldbrook Glendale CSD and the Sundbergs are going through the LAFCo process to get the Sundberg property annexed to the Fieldbrook Glendale CSD boundary and the District is supportive of this. The Fieldbrook Glendale CSD is conducting a special meeting and Mr. Friedenbach planned on attending to show support if the Board concurred. Director Hecathorn inquired about the size of the parcel possibly being annexed. Mr. Friedenbach stated the parcel is 58 acres. The Board had no concerns with Mr. Friedenbach attending and providing District support.

Surge Tower Replacement/12kV Replacement/Collector Mainline Redundancy Hazard Mitigation Grants

Mr. Kaspari stated FEMA approved Phase II of the Surge Tower. The project is getting closer to being able to go out for bid. The District has until September 2019 to finish the project.

There are no updates on either the 12kV Replacement or the Collector Mainline Redundancy project.

Reservoir Structural Retrofit Hazard Mitigation Grant Notice of Intent (NOI)

Mr. Kaspari stated the NOI was submitted and he received notification that it is a valid project. This means the District has until July to submit a grant application. Director Rupp asked if the odds of the getting the grant are good. Mr. Kaspari stated he couldn't say for sure but the odds have been good lately.

GEI-consider and possibly authorize expenditure for Dam Spillway Analysis

Mr. Friedenbach stated that as previously reported, in response to the spillway failure at Oroville last year, FERC and DSOD are requiring increased scrutiny by dam owners throughout California. The District still needs to complete two additional requirements by FERC: 1) Engineering Geology Review and 2) Focused Spillway Potential Failure Mode Analysis (PFMA). Staff proposes the Geology review be conducted by an experienced geologist engineer from GEI with experience performing these analyses this past year for multiple dams and reporting to FERC. GHD staff will provide technical support and review services. Staff is proposing the focused spillway PFMA be coordinated by our Chief Dam Safety Consultant, Bill Rettberg of GEI. This will include participation by GHD, HBMWD staff, DSOD and FERC.



Minutes for Meeting of Board of Directors

February 08, 2018

Staff requested the Board authorize additions to the current year's project budget for the spillway geologic assessment and spillway probable failure mode analysis in the amount of \$7,000 and \$22,000 respectively which includes fees for both GEI and GHD. Staff also proposed to fund the projects either through the budget re-allocation process at the end of the fiscal year or if needed, by using the Board Designated reserves of the MSRA. On motion by Director Rupp, seconded by Director Latt, the Board voted 5-0 proceed with and fund the projects per staff recommendations.

Next FEMA HMG NOI possible projects

Mr. Kaspari stated the next round of NOI's is due March 15, 2018 and inquired what project(s) the Board would like to submit. Mr. Friedenbach added it is not a large cost to submit an NOI and we can always decide later if we choose not to apply for the grant. The Board discussed several options and decided to submit the Single Pipeline Slough Crossing project.

2. **Financial**

Financial Report

Ms. Harris presented the financial report. She highlighted the income from ReMAT shows \$88,000 so far, however it does not include January and February which brings the total to \$135,000. The office building maintenance costs have increased. This is due to additional security measures, replacement of a vandalized window and repair of the corner bench. The vendor expense report shows a fifty percent payment to Casselle, the new accounting and utility software. The target date for switching to the new software is July 1, 2018. Director Latt reviewed bills and was surprised by a \$60,000 engineering bill. He stated that lawyers bill in tenths of an hour and inquired if the engineers could do the same. Ms. Harris said she thought she saw billings on the quarter and half hour. President Woo stated we are paying a premium but the trade-off is consistency. Director Latt agreed that continuity and historical knowledge is important and they are very good engineers, but it is okay to ask about billing. Ms. Harris noted that the \$60,000 bill is grant related and \$53,000 will be grant reimbursable. Mr. Friedenbach added that sometimes, work is done on a "promo" basis and the District is not charged. After additional discussion, staff was directed to inquire about a negotiated rate with GHD. On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 approve the January financial statement and vendor detail report in the amount of \$272,887.29.

Investment Policy, Resolution 2018-02 and PARS Agreement

Last month the Board approved establishing an irrevocable trust fund to be administered by Public Agency Retirement Services (PARS). This trust is for the purpose of restricting and dedicating District funds to pre-fund the CalPERS Unfunded Pension Liability. In order to establish and implement this trust fund, additional steps are required.

Investment Policy

Ms. Harris stated the current Investment Policy does not allow the District to utilize investment accounts other than the County Investment Fund or Local Agency Investment Funds (LAIF). To resolve this, the Investment Policy must be revised to add the option to invest in an irrevocable, tax exempt IRC Section 115 Trust Account for the purpose of pre-funding the CalPERS Unfunded Pension Liability. She shared the revised Investment Policy. On motion by Director Latt, seconded by Director Rupp, the Board voted 5-0 to approve the revised Statement of Investment Policy.



Minutes for Meeting of Board of Directors

February 08, 2018

Resolution 2018-02 Approving the Adoption of the Public Agencies Post-Employment Benefits Trust Administered by Public Agency Retirement Services (PARS)

Ms. Harris stated PARS requires a Board Resolution naming a Plan Administrator who will be authorized to execute the PARS legal and administrative documents on behalf of the District. She shared Resolution 2018-02. The Board discussed the resolution and suggested some changes. Item 2 under Now Therefore, Be It Resolved was changed to replace “his/her successor or his/her designee” with Business Manager. Director Rupp read the resolution and the Board voted 5-0 by roll call vote to approve Resolution 2018-02 Approving the Adoption of the Public Agencies Post-Employment Benefits Trust Administered by Public Agency Retirement Services (PARS).

PARS Agreement

Once the Plan Administrator is selected, the Agreement for Administrative Services between the District and PARS must be completed and signed. Ms. Harris shared a draft agreement for the Board’s review. After discussion, the Board requested the agreement come back next month when they have an opportunity to discuss options with an investment advisor.

3. Operations

Mr. Davidsen provided the January Operational Report. Staff conducted the DOT required 90 Day truck inspections. Several staff attended a presentation on drone use sponsored by the ASCE and SHN. Training webinars attended included an educational webinar on the Oroville Dam failure findings and lead testing at schools. The Oroville Dam webinar stressed the importance of proper inspections and dam maintenance. In regards to the lead testing in schools, the District does not have lead service lines but staff is coordinating with two schools to perform the required testing. Mr. Davidsen took algae samples from Ruth Lake and sent them to a state certified lab for analysis. Tests showed no toxin genes, but will require monitoring in the future. The January safety meeting covered topics on the WIIPP, EAP flow charts, general emergency response expectations and also included a review of the new employee handbooks. Mr. Davidsen also reviewed the status of current projects including the Collector 2 transformer. The current plan is to rebuild the transformer. This would come with a three year warranty and it would be copper wound.

Surplus Items

Mr. Davidsen stated staff would like to have the following items declared surplus: 1994 Ford F350; 6’ Barnes Pump; and Shop Parts washer. The Ford F350 will be sold as is for parts only due to the cost of repairs needed. On motion by Director Hecathorn, seconded by Directors Rupp, the Board voted 5-0 to approve the items as surplus.

K. MANAGEMENT

CSDA – December 4, 2017 Minutes

Mr. Friedenbach shared the minutes of the December meeting. He stated the Bylaws were approved and officers nominated/selected. He noted that Greg Orsini of McKinleyville CSD is the president of the local chapter and the State. The local chapter will meet in even-numbered months.

NCRP

Mr. Friedenbach reported out on the January 19 meeting. He stated there was an interesting presentation on fire resiliency. Sonoma County Water Agency staff couldn’t get through during the fires as their vehicles were not marked as emergency vehicles. Mr. Friedenbach shared the magnetic



Minutes for Meeting of Board of Directors

February 08, 2018

vehicle signs with District Logo and name, clearly stating “Emergency Vehicle”. These will only be used in the event of an emergency.

Mission Statement format

Mr. Friedenbach shared 5 formats for the District logo. After much discussion, the Board concurred on format #1 as the preferred format.

**L. DIRECTOR REPORTS & DISCUSSION**

**1. General**

Director Hecathorn stated she attended a Eureka City Council meeting and much of the discussion was regarding discarded needles. This is becoming a larger problem. Director Rupp added that Humboldt County has the highest addition rate and overdose rate per capita in California, yet there is no treatment facility in Eureka.

**2. ACWA – JPIA**

Director Rupp reported out on his attendance at a Property Committee meeting and Executive Committee meeting on January 30<sup>th</sup>. JPIA has a new excess insurance provider and flood, dam and earthquake insurance are now included. He will be attending another meeting at the end of the month and noted that expenses for attending the meetings is covered by the JPIA not the District.

**3. ACWA**

ACWA/JPIA Spring Conference

On motion by Director Rupp, seconded by Director Hecathorn, the Board voted 5-0 to approve attendance at the ACWA/JPIA Spring Conference by the Board and appropriate staff (as designated by the General Manager).

Resolution 2018-01 Approving the Nomination of J. Bruce Rupp for ACWA Region 1 Board  
Director Rupp read Resolution 2018-01. The Board voted 5-0 by roll call vote to approve Resolution 2018-01 Approving the Nomination of J. Bruce Rupp for ACWA Region 1 Board.

Budget Trailer Bill related to SB623

Director Rupp commented on the ACWA news article, Drinking Water Tax Proposal: Gov. Brown’s Budget Signals Budget Trailer Bill to Advance SB 623-Like Framework. He stated the District should do all we can to oppose it. We should also communicate our concerns to our customers as well as this is a regressive tax and affects the poorest. Not only will ratepayers have to pay more, but agencies will be responsible for collecting the tax. He is pleased that ACWA opposes this and is providing an alternative source. Mr. Friedenbach stated the purpose of the bill is to help disadvantaged communities which most will agree is good. Funds for this should come from the State General Fund and not a water tax. Director Latt inquired where Senator Mike McGuire and Assemblymember Jim Wood stood on the issue.

**4. Organizations on which HBMWD Serves: RCEA, RREDC**

President Woo reported out on the RCEA meeting. Offshore wind energy is the big topic now. Onshore wind energy was considered however, the Marbled murrelet is a concern which will likely make onshore wind energy not feasible.

Director Latt reported out on the RCEA meeting. There was no presentation, however they did elect officers. He provided a member report stating that the HBMWD Board voted to appeal the



HUMBOLDT BAY MUNICIPAL WATER DISTRICT  
828 7<sup>th</sup> Street, Eureka

SECTION D

PAGE NO. 9



Minutes for Meeting of Board of Directors

February 08, 2018

Planning Commission recommendation on the zoning change and conditional use permit for the Mercer Fraser property. Director Rupp added that through Gregg Foster's efforts, Humboldt County is getting a direct flight to Los Angeles beginning in June. Director Hecathorn added she is glad Director Latt is on the RREDC Board. She feels the District is well represented.

**ADJOURNMENT**

The meeting adjourned at 5:24 pm.

Attest:

\_\_\_\_\_  
Sheri Woo, President

\_\_\_\_\_  
J. Bruce Rupp, Secretary/Treasurer

**CONSENT**



**DEPARTMENT OF WATER RESOURCES**

1416 NINTH STREET, P.O. BOX 942836  
SACRAMENTO, CA 94236-0001  
(916) 653-5791



February 7, 2018

To: Public Water Agencies Participating in WaterFix

As you know, California WaterFix marked several key milestones in 2017 and the state continues to work to advance the project through the remaining steps needed to begin construction.

Public water agencies that receive water supplies through contracts with the state have expressed their support for WaterFix. In a series of public meetings last fall, twelve of these agencies voted to advance WaterFix because they understand that California's primary supply of clean water for 25 million people and 3 million acres of farmland is increasingly unreliable. They include Santa Clara Valley Water District, Kern County Water Agency, Zone 7 Water Agency, Metropolitan Water District of Southern California, Alameda County Water District, Castaic Lake Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, San Bernardino Valley Municipal Water District, Desert Water Agency, San Geronio Pass Water Agency and Mojave Water Agency. The state needs a real solution that provides reliable, clean and safe water to California businesses, farms and residents. WaterFix is a critical element of the state's overall strategy to address climate change and ensure a reliable water supply for the future, as outlined in Governor Brown's California Water Action Plan.

As the Department of Water Resources (DWR) has previously stated, the scope of WaterFix ultimately hinges on our partnership with local water agencies and their support for the project. With the support of the public water agencies that contract with the state for their supplies, DWR is proposing to pursue WaterFix as planned, but also take actions that would allow construction to be implemented in stages. Being prepared to implement this option is directly responsive to the stated needs of the participating agencies, and would align project implementation with current funding commitments. It would also allow us to take significant steps toward improving environmental conditions.

Under this approach, DWR proposes to first focus on elements of WaterFix that are consistent with the support expressed by public water agencies. The option for a first stage includes two intakes with a total capacity of 6,000 cubic-feet per second (cfs), one tunnel, one intermediate forebay, and one pumping station.

The second stage would consist of a third intake with 3,000 cfs capacity, a second tunnel, and a second pumping station, which will bring the total project capacity from 6,000 cfs in the first phase to 9,000 cfs capacity in total. If funding for all elements of the currently-proposed WaterFix is not available when construction begins, stage two would begin once additional funding commitments are made from supporting water agencies.

Public Water Agencies Participating in WaterFix  
February 7, 2018  
Page 2

Being prepared and having the option of a staged implementation of WaterFix is prudent, fiscally responsible and meets the needs of the public water agencies funding the project. It would allow work to begin on WaterFix, as soon as all necessary environmental review and permits are complete, which is anticipated near the end of 2018.

The overall cost of WaterFix has not changed, at \$16.3 billion in 2017 dollars (equivalent to \$14.9 billion in 2014 dollars). However, the cost of the option of proceeding with the first stage is \$10.7 billion.

The state is preparing a cost-benefit analysis that will be available soon to provide further information about the economic benefit of protecting a critical source of reliable water supplies for the state and safeguarding decades of public investment in the State Water Project.

Participating public water agencies are expected to bring actions to their respective boards this spring to finalize the necessary agreements and stand up the finance and construction Joint Powers Authorities.

In addition, DWR will fully evaluate the potential environmental impacts of the staged implementation option and expects to issue a draft supplemental Environmental Impact Report in June of 2018, with a final in October 2018. The additional information developed for CEQA will also be used to supplement the Endangered Species Act, Section 7 and California Endangered Species Act, Section 2081 record. DWR does not expect substantial change to the Biological Opinions or Section 2081 Incidental Take Permit issued in 2017. Preliminary modeling indicates that there are no new water quality or aquatic issues related to staging the implementation. DWR expects no changes in impact determinations and no changes to mitigation. Thus, DWR will be able to immediately implement this option, in addition to the project already analyzed under CEQA.

Having worked hard to fix a significant infrastructure and environmental problem, DWR is eager to move forward with you to protect the Delta and our water supplies.



Karla A. Nemeth  
Director

cc: (See distribution list.)

**MINASIAN, MEITH,  
SOARES, SEXTON &  
COOPER, LLP**

ATTORNEYS AT LAW  
A Partnership Including Professional Corporations

1681 BIRD STREET  
P.O. BOX 1679  
OROVILLE, CALIFORNIA 95965-1679

PAUL R. MINASIAN, INC.  
JEFFREY A. MEITH  
M. ANTHONY SOARES  
DUSTIN C. COOPER  
DAVID J. STEFFENSON  
EMILY E. LaMOE

TELEPHONE:  
(530) 533-2885

FACSIMILE:  
(530) 533-0197

WILLIAM H. SPRUANCE,  
Of Counsel

MICHAEL V. SEXTON,  
Of Counsel

**H.B.M.W.D. FEB 28 2018**

February 26, 2018

TO ALL DISTRICT CLIENTS

Re: Hourly Charge

Ladies and Gentlemen:

The last increase in hourly rates by this Firm was effective July 1, 2015.

We write to notify you that our hourly rate for public agency and water company work will increase from \$290/hour to \$320/hour effective April 1, 2018. Travel time for Districts will go from \$70/hr. to \$90/hr. for one Board meeting a month. Any other Board meetings will be at the attorney rate from door to door.

We thank you for placing your trust in our Firm and for the privilege of serving as your legal counsel. We look forward to continuing to work with you in the future.

Very truly yours,

MINASIAN, MEITH, SOARES,  
SEXTON & COOPER, LLP

By   
PAUL R. MINASIAN

PRM/kp



SECTION F3 PAGE NO. 1  
**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

828 SEVENTH STREET, PO BOX 95 • EUREKA, CALIFORNIA 95502-0095  
OFFICE 707-443-5018 ESSEX 707-822-2918  
FAX 707-443-5731 707-822-8245  
EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)  
WEBSITE: [WWW.HBMWD.COM](http://WWW.HBMWD.COM)

**BOARD OF DIRECTORS**  
SHERI WOO, PRESIDENT  
NEAL LATT, VICE-PRESIDENT  
J. BRUCE RUPP, SECRETARY-TREASURER  
BARBARA HECATHORN, DIRECTOR  
MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**  
JOHN FRIEDENBACH

February 27, 2018

Justin Ly  
NOAA Fisheries, North Coast Branch, Arcata Field Office  
1655 Heindon Road  
Arcata, CA 95521- 4573

**Regarding: Habitat Conservation Plan – Annual Report for 2017**

Dear Mr. Ly:

In accordance with the requirements of the District's Habitat Conservation Plan (HCP), the District must submit a written report to NMFS each year by February 28<sup>th</sup> outlining the activities which occurred in the preceding calendar year, whether take occurred, and results of monitoring activities. Attached is our annual report for 2017.

The HCP outlined a series of projects, monitoring studies to assess impact and take, and a study to address possible alternatives to maintain flow to the direct diversion facility during the low-flow season. All of the projects and studies identified in the HCP were successfully completed and were addressed in prior-year annual reports. Since completion of the projects and studies, the District's annual report has become quite succinct.

Page one of the report lists the activities which occurred in 2017. One dead Foothill Yellow Legged Frog larva was found outside the area occupied by the excavator and appeared to have been crushed by foot traffic during the rescue operation of covered activity 6. A copy of the monitoring report (prepared by Stillwater Sciences) for this activity is attached.

Section 15 of the HCP, and Section 7 of the Implementing Agreement require that we provide a copy of our most recent audited financial statement. Our most recent audited financial statement will be available in March 2018. We will forward a copy to you as soon as it is issued and available. The District continues to have the financial ability to fulfill its obligations under the HCP.

If you have questions about the current report, please call our office at 707-443-5018.

Sincerely,

  
John Friedenbach  
General Manager

Enclosure

cc:

Dan Free, NOAA Fisheries w/ ends  
Brendan Thompson, NCRWQCB w/ends  
Dale Davidsen and Mario Palmero, HBMWD w/ ends



# HUMBOLDT BAY MUNICIPAL WATER DISTRICT

828 SEVENTH STREET, PO BOX 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

WEBSITE: [WWW.HBMWD.COM](http://WWW.HBMWD.COM)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

February 27, 2018

**GENERAL MANAGER**

JOHN FRIEDENBACH

Gordon Leppig  
California Department of Fish and Wildlife  
Northern Region, Coastal Habitat Conservation  
619 2<sup>nd</sup> St  
Eureka, CA 95501-0494

**Long-Term Lake and Streambed Alteration Agreement (LTSAA) No. R1-2010-0093  
Annual Report for 2017**

Dear Mr. Leppig:

In accordance with **Section 7.1 Yearly Reporting** of our LTSAA, we are providing our sixth annual report. Section 7.1 states that the District shall provide a copy of the District's HCP annual report for the preceding calendar year by February 28<sup>th</sup>. The report summary shall include maintenance activities and diversion records under the LTSAA for the previous year. The District shall also report the amount and species of fish that were killed, entrained, rescued, stranded, and/or impinged by operations. The District respectfully submits our annual report under our LTSAA for your consideration and review.

Attached is a copy of our 2017 calendar year annual report under our HCP as required.

The District's maintenance activities are summarized and described on pages one through four of the HCP report. During 2017, one dead Foothill Yellow Legged Frog larva was found outside the area occupied by the excavator and appeared to have been crushed by foot traffic during the rescue operation of covered activity 6. A copy of the monitoring report (prepared by Stillwater Sciences) for this activity is attached.

The District's diversion records for calendar year 2017 are included with the 2017 HCP annual report and are hereby incorporated into this LTSAA report.

If you have any questions or need any additional information, please do not hesitate to contact us.

Sincerely,

John Friedenbach  
General Manager

**Enclosure**

cc: Jane Arnold, Michelle Gilroy, and Michael Van Hattem, DFW w/ encls  
Dale Davidsen and Mario Palmero, HBMWD w/o encls.

# West Coast Outpost

HANK SIMS / TODAY @ 2:21 P.M. / ENVIRONMENT

2/23/18

PG&E Tells Regional Commission It's Thinking About Selling or Abandoning Potter Valley Dams, Which Take Water Out of the Eel and Send It South



*Scott Dam at Lake Pillsbury — a key component of the Potter Valley Project. Photo: PG&E.*

Pacific Gas and Electric is actively considering the possibility of getting out of the business of operating dams on the Eel River, a company representative told a regional commission this morning.

The company's decision, when it comes, could ignite a northern California water war.

The two dams associated with the utility's Potter Valley Project — a hydropower system — annually divert tens of thousands of acre-feet of water out of the Eel River and into the Russian River watershed, where it is used by municipalities and agricultural operations in Lake, Mendocino and Sonoma counties.

At a meeting of the Eel Russian River Commission in Eureka this morning, PG&E director of power generation David Moller said that the utility has been looking at all its options as it undergoes the process of relicensing the dams. The current licenses for the project — issued by the Federal Energy Regulatory Commission — are set to expire in 2022.

"While we've been working on this relicensing project, we've also been looking at whether the project is a good fit," Moller said. He later added that the amount of power generated by the project is a minuscule portion of its overall portfolio, and comes at a time when PG&E is experiencing less demand for energy.

The announcement at the Eel Russian River Commission — a regional body with representatives from Humboldt, Mendocino, Lake and Sonoma county government on its board — marks the first time that PG&E has stated publicly that it might seek to divest itself of the project.

Moller said that though the company is continuing to move forward with the effort to relicense the dams, it is, at the same time, deciding between three broad options for the

future of the project — to hold onto the project, to sell it to someone or something else, or to simply abandon it.

He said that PG&E will likely make a final decision over which course to pursue in the next couple of months.

But the public interest in the decision, when it comes, will almost certainly have almost nothing to do with the actual power generated by the project; rather, it will be in the project's side effect — the large amount of water diverted from the Eel and into the Russian, where it has fueled the growth of Sonoma County sprawl and its wine industry.

At this morning's meeting, Stephanie Tidwell of Friends of the Eel — a local nonprofit that has advocated for the decommissioning and removal of the dams — warned whoever might be thinking of operating the Potter Valley project in the future that locals would oppose any proposal to continue water diversions to the Russian.

"Humboldt County gets nothing from these dams except more dead fish," Tidwell said.

Scott Greacen, Tidwell's colleague at Friends of the Eel, told the commission that no one, apart from one Potter Valley irrigation district, actually owns legal rights to the water that PG&E diverts from the Eel — that the vast majority of it is considered legally "abandoned" after it leaves the utility's turbines.

But Guinness McFadden, a Potter Valley farmer who sits of the board of directors of the town's irrigation district, urged the Humboldt-centric crowd to keep residents of the Russian River in their thoughts, moving forward.

"Let's not forget the 600,000 people downstream of the Potter Valley project who depend on this water," he said.

# Some fear California drought cuts could erase water rights

SECTION 5 PAGE NO. 3

Times Standard  
2/21/2018

By Jonathan J. Cooper  
*The Associated Press*

**SACRAMENTO** » A proposal to make California's drought-era water restrictions permanent could allow the state to chip away at long-held water rights in an unprecedented power grab, representatives from water districts and other users told regulators Tuesday.

Members of the state Water Resources Control Board delayed a decision about whether to bring back what had been temporary water bans from California's drought, spanning 2013 to 2017. The plan is part of an effort to make water conservation a way of life, with climate change expected to lead to longer, more severe droughts.

It comes after U.S. officials declared that nearly half the state, all of it in the south, is back in drought just months after emerging from it.

Officials from several irrigation and water agencies said the restrictions are reasonable, but not the plan to impose them under the state Constitution's prohibition on the "waste or unreasonable use" of water. That would create a slippery slope of allowing the board to repeatedly chip away at California's historic protection of water rights for landowners, they said.

"Erratic individuals can occupy great positions of power in government, and you had better believe they will occupy your chair someday," said Jackson Minasian, an attorney for Stanford Vina Ranch Irrigation Co. "Their view of what is 'waste and unreasonable use' will be radically different than yours."

Some water users also said permanent mandates would be too rigid in a sprawling state with needs that vary by region.

The restrictions, pun-

ishable by a \$500 fine, include prohibitions on watering lawns so much that the water flows into the street, using a hose to wash down sidewalks or using a hose without an automatic shut-off nozzle to wash cars. A final decision is now expected by April 17.

Hotels would have to ask guests if they really need their towels and sheets washed each day. Running an ornamental fountain without a recirculating system would be barred, as would watering outside within 48 hours of a good rain. Another measure would give cities and counties until 2025 to stop watering ordinary street medians.

Restaurants would be allowed to serve water only on request if the governor declares a drought emergency.

Water officials expect neighbors to be responsible for detecting and reporting most of the wasteful water use, and they have no plans to add more enforcement officers if the permanent restrictions are adopted.

Generally, first-time offenders would get warnings, while repeat offenders risk fines.

Environmental groups urged officials to crack down more aggressively on wasteful water use rather than rely on policies that encourage neighbors to develop good practices.

Water board chairwoman Felicia Marcus said the restrictions are hardly a long-term solution to California's drought problems but "the least we should do."

"We're not in an emergency right now, but shame on us if we just bury our heads in the sand ... allow people to go out and waste water by washing down the driveway with a hose when a broom would do," she said.



## WEATHER

# Water use climbs in California as drought returns

By Ellen Knickmeyer  
and Amy Taxin  
The Associated Press

**TUSTIN** » Overall water use is climbing in Southern California as that part of the state plunges back into drought, driving state and regional water managers as they consider permanently reinstating some watering bans and conservation programs.

Gov. Jerry Brown lifted California's drought emergency status a year ago, after a wet winter that snapped a historic 2013-2017 drought, and the state ended his 25 percent mandatory conservation order.

Water use has been moving steadily upward since then, especially in a six-county area of Southern California that includes the biggest chunk of the state's nearly 40 million people.

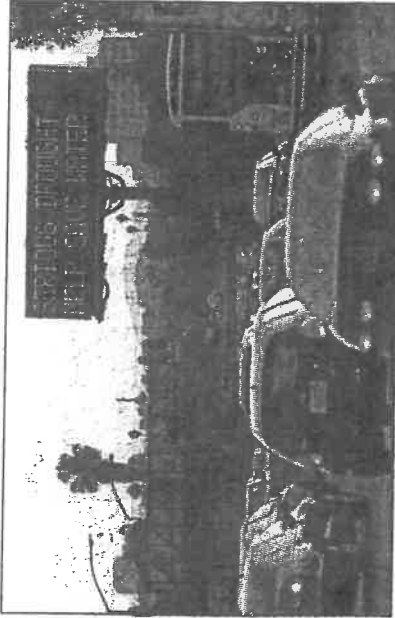
Water use there was up 3.3 percent in December, the

last month for which figures are available, compared to the same month in 2013 before mandatory conservation.

Many of the biggest offenders are well-off communities, with sweeping lawns to keep alive. The average residential user in one Malibu water district, for instance, used 255 gallons a day, according to the state water board — three times the U.S. average of 83 gallons per person per day. It's also up 7 percent from the same month in 2013, before Brown ordered the 25 percent conservation by cities and towns in 2015.

The water district for an enclave north of Pasadena, La. Canada Flintridge, hit 270 gallons per person, per day water use that month. Residents of an east Orange County water district used 203 gallons a day.

Despite a fall and winter that have brought Los An-



RICHARD VOGEL — THE ASSOCIATED PRESS FILE

Morning traffic makes its way toward downtown Los Angeles along the Hollywood Freeway past an electronic sign warning of severe drought.

geles less than one-fourth of normal rainfall, "you still see thick green lawns" in some communities, said Conner Everts, a Los Angeles-based conservation specialist who works with nonprofits and government agencies.

Wendy Silva, a 57-year-old homemaker from the

"I don't like the desert look." Many other Southern California communities have winnowed water use to well below the national average over successive droughts, water officials say. Residents of lower-income communities — with much less lawn — are some of the heroes when it comes to keeping water use down. That includes residents of East Los Angeles, who used an average of 42 gallons a day, and people in Huntington Park, who got by on just 34 gallons.

U.S. drought monitors this month declared parts of Southern California back in severe drought, just months after the state emerged from that category of drought. A winter of shorts and T-shirts, record warm days, and growing worry over water supply in Southern California are leading California's Water Resources Control Board to consider next week whether to permanently reinstate some bans on water use that were imposed during the drought state of emergency.

If board members say yes, a handful of old-style water practices including

encouraging homeowners to replace lawns. More than two-thirds of the water households consume is used outdoors, chiefly for lawns.

The permanent water restrictions that the state is looking at acknowledge that what California is facing now is growing extremes in wet spells and dry spells, not just the occasional drought.

The measures are about "transforming the relationship we have with water, which is increasingly scarce due to climate change," said Max Gombert, a leader of water conservation programs at the state water agency.

# The Mercury News

News > California News

## California drought: Water conservation slipping statewide as dry weather returns



(Vern Fisher – Monterey Herald)

Under sunny skies, people parasail along Monterey Bay near Seaside on Monday, Feb. 12, 2018.

By **PAUL ROGERS** | [progers@bayareanewsgroup.com](mailto:progers@bayareanewsgroup.com) and **LEIGH POITINGER** |

[lpoitinger@bayareanewsgroup.com](mailto:lpoitinger@bayareanewsgroup.com) | Bay Area News Group

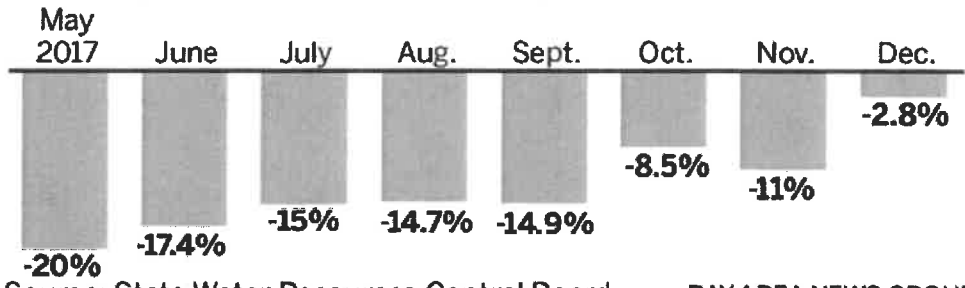
PUBLISHED: February 14, 2018 at 6:00 am | UPDATED: February 14, 2018 at 12:46 pm

As California suffers through another dry winter, increasing fears that drought conditions may be returning, the state's residents are dropping conservation habits that were developed during the last drought and steadily increasing their water use with each passing month.

A new analysis of state water records by this news organization found California's urban residents used 13.7 percent less water last year in the first eight months after Gov. Jerry Brown declared an end to the drought emergency than they used in the same eight-month period in 2013. But in each of those eight months last year, the water savings dropped from 20 percent in May to 2.8 percent in an unseasonably dry December.

### CONSERVING LESS

The state has been saving less water almost every month since Gov. Jerry Brown declared the drought over in April, 2017.



Source: State Water Resources Control Board      BAY AREA NEWS GROUP

“We are having a very dry winter again,” said Heather Cooley, water program director at the Pacific Institute, an Oakland non-profit that studies water use patterns. “That wet winter we saw last year could have been one wet winter in a 10-to-12 year drought period. We have to be very cautious about our water use.”

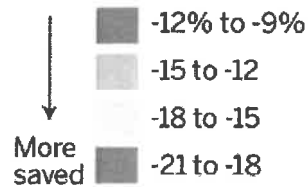
But it's not clear Californians are getting that message. After last winter's record rains, the governor on April 7 ended statewide emergency water conservation targets imposed on cities and water districts. Many eased, or dropped entirely, their mandatory water restrictions, rebate programs and other incentives to conserve, because they wanted to make more money by selling more water, and in part because it was difficult to convince their customers of the urgency when the state had just seen its wettest winter in 20 years.

But with each passing month, the savings have shrunk. Californians opened the spigots to water their lawns, took longer showers and returned to pre-drought habits, state records show.

By July, statewide water use was down 15 percent, then 8.5 percent in October. By December, the most recent month for which the State Water Resources Control Board has data, statewide water use was only down 2.8 percent, compared with December 2013, the baseline year that state water regulators use for monthly water conservation reports.

**WHO SAVED THE MOST WATER?**

California cut residential water use by 13.7 percent from May-Dec. 2017 compared with the same period in 2013 — the state's baseline year. Below: how much water each hydrologic region saved in the same time period in 2017 vs. 2013.



Usually after California droughts, some conservation is locked in permanently. That happened after the 1976-77 drought, the 1987-92 drought and the 2007-2009 drought.

People who install low-flush toilets or replace lawns with water-efficient landscaping don't go back and remove them when it starts raining again, experts note. But as the memories of bone-dry conditions fade, it's common for residents to use more water, and for cities and water districts to drop tough rules, and limit rebates, which cost them money.

In recent months, all of those trends have been underway. But very hot, very dry weather, particularly in Southern California, where temperatures this winter have reached the 90s in Los Angeles and rainfall levels are below 25 percent of historic averages, have quickly sped the return to heavier water use.

Meanwhile, the Sierra snow pack level on Tuesday was just 22 percent of its historic average. That's lower than any Feb. 13 even during the worst years of the most recent drought, including 2015, when it was 26 percent on the same date.

That year, in the most stark depths of the drought, snow levels ended at 5 percent of normal on April 1, an all-time record low that led Brown that day to travel to a grassy meadow at Echo Summit near Lake Tahoe that should have been under five feet of snow and declare the first statewide mandatory water restrictions in California history, with a target of reducing urban water use by 25 percent — a goal the state nearly met.

"We're in better shape this year with our reservoir levels," said Felicia Marcus, chairwoman of the State Water Resources Control Board. "But if we don't get any more snow — every day the news comes out that it's dry and the high pressure ridge is upon us again — I just get more nervous and more nervous. We learned a big lesson in that drought. Let's not forget it."

Even though the drought emergency ended, the Brown administration required the state's 410 largest cities, water districts and private water companies to continue reporting their monthly use to the state. The administration also kept in place water wasting rules, such as making it illegal to hose off sidewalks, wash cars without a hose nozzle or rent hotel rooms without notifying guests that they can choose not to have their sheets and towels washed every day.

Those water wasting rules, which carried fines of up to \$500 for violators, lapsed in November when their emergency status expired. The state water board is scheduled to vote Feb. 20 to make them permanent, and two bills in the Legislature would give all cities the power to enforce them.

Ever since Brown declared the drought over, some parts of California have conserved more than others.

The news organization's analysis shows that cities on the Central Coast saved the most water, 20.5 percent, in the May-December 2017 period, when compared with May-December 2013. Cities around the Bay Area saved 15.5 percent, and cities on in the South Coast region, mostly Los Angeles, San Diego and Orange County, saved the least, 11.7 percent.

Looking at individual communities, the Humboldt Bay Municipal Water District led the list, with a 56 percent reduction in water use in May-December, compared to the same period in 2013. But that's because of a fluke: a local power plant near Eureka that is a major water user was not operating. Next up on the savings list was Santa Barbara, which cut use 43.2 percent, and has had far less rainfall than other parts of the state.

In the Bay Area, Menlo Park saved the most, cutting use 29.4 percent. The city continues to offer \$125 rebates for people who buy low-flush toilets, along with paying \$2 per square foot for people who remove lawns. It also has a water wasting hotline, and hands out free low-flow showerheads, faucet aerators and other gear at City Hall, and passed an ordinance last year requiring all large new commercial buildings to have dual plumbing to use recycled water for toilets.

### **WATER USAGE BY DISTRICT**

Here are the percentage change of water usage from May-Dec. 2017 compared to the same period in 2013 — the state's baseline year — by water district. (Source: State Water Resources Control Board)

"All the programs are still in place. Conservation is part of our water strategy," said Azalea Mitch, Menlo Park's city engineer.

Among the Bay Area's largest water providers, San Jose Water Company, which raised its basic monthly service charge 26 percent and hiked its most commonly used tiered water rate 39 percent since June, 2016, reported a 22.5 percent reduction in water use from May-December 2017 compared to May-December 2013.

Contra Costa Water District cut by 19.2 percent, Santa Cruz by 19.5 percent, Palo Alto by 12.2 percent, San Francisco by 9 percent, Marin Municipal Water District by 8.9 percent and the East Bay Municipal Utility District by 12.1 percent.

Farther away, Los Angeles cut water use 9.1 percent and Sacramento, which still only allows residential lawn watering once a week until March 1, when it goes to twice a week, with fines of up to \$500 for multiple violators, showed a 20.9 percent reduction.

“You can get a lot of water savings, even voluntary savings, if you give people the impression that it’s really important,” said Jay Lund, director of the UC-Davis Center for Watershed Sciences. “Most people try to be good citizens. They like to do their part. But if you don’t remind them, their mind goes to other things.”

---

Tags: California Drought, Regional, Water, Weather

**Paul Rogers** Paul Rogers has covered a wide range of issues for The Mercury News since 1989, including water, oceans, energy, logging, parks, endangered species, toxics and climate change. He also works as managing editor of the Science team at KQED, the PBS and NPR station in San Francisco, and has taught science writing at UC Berkeley and UC Santa Cruz.

 Follow Paul Rogers @PaulRogersSJMN

**Leigh Poitinger** Leigh Poitinger is the News Research Director for the Bay Area News Group. She also coordinates the annual Wish Book program of The Mercury News ([wishbook.mercurynews.com](http://wishbook.mercurynews.com)). She began her career as a librarian at the Baltimore Sun.

## Why New California Drought Regulations Have Caused an Uproar

Dozens of local water agencies are opposing state regulations to ban wasteful water practices, partly due to issues relating to the water board's authority.

WRITTEN BY Tara Lohan

PUBLISHED March 1, 2018

Water Deeply



Grand Avenue Park in downtown Los Angeles uses reclaimed water for its water features and plant watering. Ted Soqui/Corbis via Getty Images

**ON FEBRUARY 20**, California's State Water Resources Control Board postponed a decision on the adoption of new statewide regulations meant to curb wasteful water practices. The regulations would make permanent some rules California enacted temporarily during the recent drought, which ended last year.

After several public comment periods this winter, water board staff tweaked the regulations to address concerns and recommendations from water users and other groups, but the postponement came after a large number of water agencies claimed the regulations are a violation of water rights.

"We believe using waste and unreasonable use as the tool to reach these conservation objectives is problematic and inconsistent with the law," read a comment letter to the board signed by dozens of water agencies. "The regulation is defective because it has the effect – if not the purpose – of diminishing water rights by legislative means, without any process whatsoever."

But the issue also appears to go beyond the fight over this set of regulations and centers on the water board's authority and a disagreement over state versus local control of water policy.

### The Regulations

The proposed regulations prohibit such actions as hosing off driveways and sidewalks, watering that causes more than incidental runoff, operating decorative fountains that don't recirculate water and watering ornamental public medians. The regulations are part of a broader plan outlined in a May 9, 2016, Executive Order from Governor Jerry Brown titled Make Conservation a California Way of Life.

It is one small but important piece of the state's overall work at increasing resilience to climate change and its impact on California's water, according to Max Gomberg, climate and conservation manager at the State Water Resources Control Board.

Gomberg said that he doesn't expect major statewide impacts to water savings relative to other conservation measures, but "what it does is really help raise awareness of the need for conservation and efficiency at all times because of the way the state's hydrology is changing," he said. "I think it's about ensuring that there's basic uniform standards of water waste and the ability when needed to enforce those standards statewide."

### **Water Rights**

At first glance, it would seem strange that so many water agencies are opposing the board's action because most agree that the prohibitions are common sense and good water policy. And in fact, many of the same regulations have been in place for years at the local level.

"This is not a wholesale new statewide set of prohibitions, it's taking a patchwork that was in place locally and making it uniform," said Gomberg.



A pedestrian walks her dogs by sprinklers watering the lawn in Golden Gate Park on April 2, 2015, in San Francisco. The state is considering new permanent prohibitions that would curb wasteful water practices. (Justin Sullivan/Getty Images)

Robert Donlan is an attorney with law firm Ellison Schneider Harris & Donlan who has spoken on behalf of a coalition of water agencies opposing the regulation. He said his clients are "concerned with this narrow issue of water rights and due process with the waste and unreasonable use approach to the regulation."



However, Donlan said that the groups that he has been working with support the concept of the regulation and the conservation measures that are in the regulation, but the concern is really around that narrow issue of the appropriate process to ground the regulation.

Jennifer Harder, an assistant professor at the McGeorge School of Law at the University of the Pacific and an expert in water law, thinks that in this particular situation the water board is operating within its rights and that “the water rights argument isn’t very strong in this case.”

She said, “Although there are circumstances where questions can be legitimately asked about actions that the water board is taking with respect to conservation, and there are some circumstances in which local action might be wisest, my opinion is that this particular resolution prohibiting wasteful uses is an easy case.”

One of the main reasons, she explained, is that the regulation focuses on egregious waste and “a prohibition on waste is one of the fundamental principles of all water rights since the beginning of water rights,” she said. “There is no question that water rights do not include the right to waste water, which is what we are talking about in this resolution. We’re not talking about broader conservation measures.”

### **Bigger Issues**

What’s at stake appears to be a much bigger fight, though. “The real problem here is that they have a fear that if the water board is going to take this action, that it may be an opening salvo to more actions,” said Harder. “It’s setting a precedent.”

Donlan also acknowledged that larger issues are at play and concern with precedent is one of them.

“The higher-level concern is establishing a precedent that the board could, through quasi-legislative means, enact regulations declaring certain uses to be wasteful and unreasonable without affording due process on a case-by-case basis,” said Donlan.

During a recent water board hearing, several commenters alluded to this issue of a “slippery slope” of regulations, which may be about urban water practices this year, but could take on agricultural or other water uses later.

Also at issue, believes Gomberg, is a state versus local power struggle. “There is a long-standing belief in some quarters that really the state shouldn’t have anything to say about water use and this is just evidence of a balance of power and responsibility between locals and the state that is tilting toward the state and they don’t like that,” he said.

Harder concurs, but said there is an additional problem. “Good water policy is going to require statewide action that can only come from the state water board, but the legal rules that govern state water board authority are at best vague and at worst directly conflicting with each other.”

This has created a patchwork structure for state water board authority that results in unnecessary litigation and does not support good water policy, she said.

“If our goal is legal clarity, what we really need is a clear legislative delineation that gives the state water board clear authority where that is sensible and retains local authority where that is sensible,” said Harder.

It's unclear if water agencies will pursue legal action if the board doesn't amend its approach to the regulations, which Gomberg said may be taken up again as early as April.

While he said there is still time for discussion on the issue of water rights, he added, "It's not as if we have changes under development at the moment."



February 14, 2018

**Via Email and U.S. Mail**

Jeanine Townsend, Clerk to the Board  
State Water Resources Control Board  
1001 I Street, 24th Floor  
Sacramento, CA 95814

Re: Comment Letter – Changes to Proposed Regulation  
Prohibiting Wasteful Water Use Practices

Dear Ms. Townsend:

The agencies denoted represent many of the State’s water suppliers and water right holders who stand to be impacted if the State Water Resources Control Board (“SWRCB”) adopts its proposed “Wasteful and Unreasonable Water Use Practices” regulation (“Regulation”) as currently drafted. Although we very much support the conservation objectives of the Regulation, we believe using waste and unreasonable use as the tool to reach these conservation objectives is problematic and inconsistent with the law. That said, we believe conservation is critical and, as such, have suggested many other ways the Regulation could be implemented.

As discussed in many of the comments previously submitted, the SWRCB’s authority to determine waste and unreasonable use of water is an adjudicative act that requires due process of law. The Regulation is defective because it has the effect – if not the purpose – of diminishing water rights by legislative means, without any process whatsoever. The Regulation therefore turns the water rights system on its head.

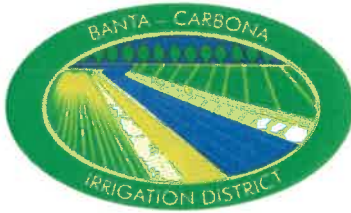
Several of the comment letters previously submitted to the SWRCB proposed minor and sensible modifications to the legal framework for Regulation that would have no effect on the substance or objectives of the conservation measures in the Regulation. These comments surgically addressed the serious water rights and due process concerns created by the proposed Regulation. Yet, those comments were ignored in the modified Regulation distributed by the SWRCB on January 31, 2018. The SWRCB should not ignore these significant legal issues, particularly when there are other lawful grounds supporting the proposed conservation measures.

We respectfully ask the SWRCB to work with us, and with other water suppliers and interested parties, to make water conservation a way of life in California. To this end, we request that the SWRCB table any action to approve the Regulation at its February 20th meeting, and direct staff to work with us to develop a more defensible legal framework for its proposed conservation Regulation.

Thank you for your attention to this matter. We look forward to working with you.

cc: Felicia Marcus, Chair, State Water Resources Control Board  
Steven Moore, Vice Chair, State Water Resources Control Board  
Tam M. Doduc, Member, State Water Resources Control Board  
Dorene D'Adamo, Member, State Water Resources Control Board  
E. Joaquin Esquivel, Member, State Water Resources Control Board  
Eileen Sobeck, Executive Director, State Water Resources Control Board  
Michael Lauffer, Chief Counsel, State Water Resources Control Board  
Eric Oppenheimer, Chief Deputy Director, State Water Resources Control Board  
Max Gomberg, Climate & Conservation Program Mgr., State Water Resources Control Board  
Charlotte Ely, Climate and Conservation Specialist, State Water Resources Control Board  
Kathy Frevert, Climate and Conservation Specialist, State Water Resources Control Board

\*\*\*



**SOUTH VALLEY  
WATER ASSOCIATION**



**Tahoe City Public Utility District**





San Diego County  
Water Authority







Westlands Water District



Yorba Linda  
Water District



SOUTH SAN JOAQUIN  
IRRIGATION DISTRICT





# BAWSCA

Bay Area Water Supply & Conservation Agency





# Oroville-inspired dam inspection bill heads to Jerry Brown

BY BILLY KOBIN  
[wkobin@sacbee.com](mailto:wkobin@sacbee.com)

February 12, 2018 05:38 PM  
Updated 54 minutes ago

On the anniversary of evacuations prompted by the near disaster at Oroville Dam, California lawmakers on Monday sent Gov. Jerry Brown a measure to tighten dam inspection standards.

The Assembly unanimously approved Assemblyman James Gallagher's bill, which will require the California Department of Water Resources to annually inspect the vast majority of the 1,249 dams it oversees. Dams with low hazard potential would need to be evaluated at least every other year under Assembly Bill 1270, which Gallagher, R-Yuba City, introduced last February after the evacuation of 188,000 downstream residents.

Inspections would need to study major structural dam features, such as spillways, and inspection reports would need to be available to the public, with certain sensitive information withheld. DWR would also need to consult with independent experts and update its safety protocols every 10 years. The bill also requires the testing of critical spillway control features each year and state inspectors to witness these features at least every three years.

The near failure of the Oroville Dam spillway marked a turning point for residents of communities located near the nation's tallest dam, Gallagher said.

"Shortly after that day, we vowed, 'Never again.' We will not allow ourselves to be needlessly put in fear and desperation," Gallagher said. "We need a culture that manages (Oroville Dam) at the highest level of safety and risk management."

Gallagher was joined by other lawmakers and members of the Oroville Dam Coalition, which is made up of local government officials, business owners and residents living near the dam. The coalition has urged the state to allow an independent committee to review the water department's work to repair and re-license the dam. The state has put the cost of the emergency at \$870 million.

Coalition members wore shirts Monday that read, "We Give A Dam."

"By the time we're done, the entire state is going to give a damn, because this is too important for us to miss," Gallagher said. "We don't just build these things and then watch them deteriorate and crumble. We need to constantly be on top of that infrastructure."

Communities near the dam have suffered economically since last February, said Janet Goodson, vice mayor of Oroville.

"Currently, our city does not reflect a sense of normality," Goodson said. "Local businesses and recreational areas that would normally attract a significant amount of tourism traffic and dollars continue to feel the devastating effects from the spillway incident due to ongoing construction and uncertainty surrounding the repair."

The state has been hit with several lawsuits since the spillway crisis. State officials also ordered dozens of dam owners to reinspect their flood-control spillways since the incident.

Local residents want to be involved with DWR assessments of the repaired Oroville Dam in order "to feel secure," said Sandy Linville, president and CEO of the Oroville Chamber of Commerce.

"We shoulder the disproportionate risk from living within the shadow of the nation's tallest dam, and our opinions matter," Linville said. "The Department of Water Resources has lost our trust, and they need to earn it back."

*Billy Kobin: 916-321-1860, @Billy\_Kobin*

## Gallagher's dam safety bill goes to governor on evacuation anniversary

*By Risa Johnson, Chico Enterprise-Record*

Monday, February 12, 2018

Sacramento >> The California Legislature unanimously passed Assemblyman James Gallagher's bill requiring high hazard dams be inspected annually on Monday – the one-year anniversary of the Oroville Dam spillway evacuation.

The bill also sets standards for those inspections and requires consultation with independent experts to update dam safety practices every 10 years, a periodic review of original design and construction records and that inspection records be made public, with sensitive information redacted when necessary. It is an urgency bill, meaning it will immediately go into effect if signed by Gov. Jerry Brown.

Local leaders including Butte County Supervisor Bill Connelly, Oroville Vice Mayor Janet Goodson and Oroville Chamber of Commerce CEO Sandy Linville joined Gallagher, R-Yuba City, on the steps of the state Capitol Monday afternoon to advocate for the bill and reflect on the evacuation of about 188,000 people downstream one year ago.

Gallagher said that shortly after last February's events transpired, the Oroville Dam Coalition formed to ensure the near-disaster would never happen again. He thanked the bill's co-authors and the entire Legislature for working in a "bipartisan fashion," as well as the Governor's office and the state Department of Water Resources for helping pass the legislation.

"This represents what we can do when we work together in a proactive way," Gallagher said.

However, he said, there was much more work to be done.

"There have been some changes at the top of the Department of Water Resources but we need it throughout the organization, from the top, all the way down," Gallagher said. "We need a culture that manages that dam at the highest level of safety and risk management."

The assemblyman also called for restoring the Feather River, armoring levees and the need to upgrade California's infrastructure.

Some on the Capitol steps sported shirts that read "We give a dam." Gallagher said by the time they were done, the entire state would "give a damn."

Sen. Jim Nielsen, R-Red Bluff, who co-authored the bill, said while the dam was one of former Gov. Pat Brown's greatest legacies, it had been a letdown to downstream communities for 50 years as the dam was not been properly maintained.

"That has been amply confirmed by the studies of the forensic team and our own less learned observations," Nielsen said.

He said another bill was in the works that would provide for a formal liaison between downstream communities and the government. The model for this proposed group, the Sacramento River Conservation Area Forum, had seen success for over 30 years, Nielsen said.

“We are in it for the long haul and through the generations,” he said. “We intend to pass this on — this lesson, and more importantly, this resolve.”

SECTION F5 PAGE NO. 24

Yuba City Vice Mayor Shon Harris said while understandably Oroville had gotten most of the attention with regards to the spillway crisis, a lot of other communities downstream were feeling the same impacts.

Harris said Yuba City Toyota reported \$51,000 in losses and Sutter Marine, a boat shop, had experienced \$68,000 in damages.

“That might not seem like a whole lot ... but in our small community, its huge,” Harris said.

He said that making inspections “from time-to-time” was not enough and he applauded the Legislature for passing the bill.

#### **Oroville locals speak**

Vice Mayor Janet Goodson addressed the impacts to tourism because of construction and uncertainty of the safety of the dam following the crisis. Bike trails, campsites, boat launches, and city roads remained closed, Goodson said.

“There are many unresolved issues that our city continues to face with regards to our economy and social injustices that have incurred because of the evacuation,” she said. “Currently our city does not reflect a sense of normalcy.”

The Oroville Dam Coalition wants the Federal Energy Regulatory Commission to “pump the breaks” on issuing DWR a license to operate the dam for a term of 50 years or less, Goodson said. She also mentioned the desire for an independent oversight committee and the ability to add amendments throughout the relicensing process.

“I am proud to say that our community, the citizens of Oroville, we are a very strong people with resilience and determination,” she said. “We are going to continue to move forward.”

Bill Connelly, chair of the Butte County Board of Supervisors, said that in his opinion, the crisis called for not just a delay on the relicensing but another round of negotiations on what should be included in a new license.

“This has got to be a frank and honest dialogue, not something that is put forward by the water contractors and DWR to keep the locals in place,” Connelly said.

He said that California State Parks needed more funding and that local recreation needed to be expanded immediately. Butte County should not be impoverished with a massive power source in its backyard, Connelly said. The county has estimated that it loses \$7 million a year because of the dam, he said.

“We’re not asking for a handout here folks,” Connelly said. “We’re asking to be made whole. We shouldn’t have to host this bathtub without being made whole.”

Sandy Linville, president and CEO of the Oroville Chamber of Commerce, said it was imperative that the coalition have representation in DWR’s community needs assessment. As part of the assessment, which is expected to complete in late 2019, new infrastructure such as a second gated spillway and a completely lined emergency spillway is being considered.

“We shoulder the disproportionate burden of risk from living within the shadow of the nation’s tallest dam,” Linville said. “Our opinions matter.”

The community will not accept the results of the assessment without public involvement – trust was lost and needs to be earned back, she said. Linville also said that residents deserved compensation for their losses during the crisis. All claims made to the state have been denied.

“DWR has a moral obligation to reimburse those who were impacted financially through no fault of their own,” she said. “They did not cause this situation.”

Contact reporter Risa Johnson at 896-7763.

SECTION F5 PAGE NO. 25

URL: <http://www.chicoer.com/general-news/20180212/gallaghers-dam-safety-bill-goes-to-governor-on-evacuation-anniversary>

© 2018 Chico Enterprise-Record (<http://www.chicoer.com>)

FEDERAL ENERGY REGULATORY COMMISSION  
Office of Energy Projects  
Division of Dam Safety and Inspections  
888 First Street, NE Routing Code: PJ-13  
Washington, DC 20426  
(202) 502-6314 Office - (202) 219-2731 Facsimile

January 26, 2018

**H.B.M.W.D. FEB 12 2018**

Subject: Oroville Dam Independent Forensic Findings

On January 5, 2018, the Independent Forensic Team (IFT) released their final report on the Oroville Dam Spillway Incident. The IFT Report highlights several issues that everyone involved in the dam safety industry should be aware of. The report is available on the FERC website at:

<https://www.ferc.gov/industries/hydro/power/safety/projects/oroville.asp>

We request that you and your Chief Dam Safety Engineer/Coordinator read this report, share it with your senior executives as well as all your dam safety staff and discuss how the findings may apply to your own facilities and overall dam safety program. The report concludes that flaws in the Oroville Dam Spillway existed since construction that were missed by the owner, regulators, and consultants. It is very clear that just because a project has operated successfully for a long period of time does not guarantee that it will continue to do so.

One critical aspect of an Owner's Dam Safety Program (ODSP) is communication between dam safety staff and senior executives. This is an opportunity for you to highlight the importance of dam safety to every level of your organization and to ensure that you have the resources you need to ensure the safety of your facilities. As the IFT stated, "compliance with regulatory requirements is not sufficient to manage risk and meet dam owners' legal and ethical responsibilities." We are focusing on how to improve our program to identify and prevent incidents, regardless of magnitude, that could result from similar dam safety and organizational factors that contributed to the

2

Oroville incident. We expect our regulated dam owners to have similar internal discussions.

The Part 12D inspection program is meant to ensure that there is a "periodic comprehensive review of original design and construction and subsequent performance." As a follow-up to the Part 12 training courses offered in 2013 and 2014 intended to improve the Part 12D program, we issued revised guidance in Chapter 14, Appendix H of our Engineering Guidelines in August of 2016 to clarify our expectations regarding Part 12D Inspection Reports. Consultants cannot rely on the reputation and expertise of previous consultants to justify their assessment of project safety without providing their own critical independent review. The Oroville IFT indicates that there was no clear evidence that the original design and construction documentation had ever been reviewed since original construction.

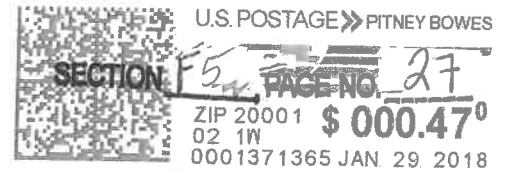
The IFT also identified shortcomings with the current Potential Failure Mode Analysis (PFMA) process, noting that it focuses too heavily on uncontrolled release of the reservoir, does not adequately consider interaction of project features, and too often does not reconsider PFMA that have been dismissed previously. As we review the PFMA process in light of the findings, we will communicate any changes that may be required. In the interim, you should keep these findings in mind while performing any new PFMA's or reviews of existing ones. Broader implementation of our Risk-Informed Decision Making (RIDM) program may also help ameliorate some of these issues, as the PFMA is the foundation of the risk process.

Our expectation that a PFMA is based on all available information will not change, and it cannot be met if the Supporting Technical Information Document (STID) is not maintained as a comprehensive resource. The IFT noted that the Oroville Dam STID "did not contain much of the information which would have helped identify the risks at the two spillways." As stewards of the STID, project owners must make every

SECTION F5 PAGE NO. 26

FEDERAL ENERGY  
REGULATORY COMMISSION  
38 First Street NE  
Washington, DC 20426

CAP DISTRICT  
MO 207  
29 JAN '18  
PM 1 L



General Manager  
John Friedenbach  
Humboldt Bay Municipal Water District  
828 Seventh Street  
PO Box 95  
Eureka , CA 95502



3

effort to ensure that the documents are complete and all references have been reviewed and are included electronically.

The IFT report highlights the critical importance of your ODSP and a strong top-down dam safety culture within your entire organization. It is critical that you include a thorough review of your ODSP implementation; we have provided FAQs on this topic to assist you in your review, located at <https://www.ferc.gov/industries/hydropower/safety/initiatives/odsp/guidance-odsp.pdf>. If you have any questions, please contact me or the appropriate Regional Engineer for your projects.

Sincerely,

David Capka, P.E.  
Director  
Division of Dam Safety and Inspections



FEBRUARY 14, 2018

MAD RIVER UNION

# McKinleyville plans for management changes

**Jack Durham**  
MAD RIVER UNION

McKINLEYVILLE – Even though the manager of the McKinleyville Community Services District doesn't plan to retire until about three years from now, planning is already underway to make a steady transition when his replacement is hired.

The district has hired consultant Donna Wiles to prepare a "Succession Plan," a detailed document which outlines the various duties of key positions in the organization and how individuals would be replaced if they fall ill, take a leave of absence or retire.

The creation of the document was spurred by the announcement by

MCSD General Manager Greg Orsini that he plans to retire at the end of 2020. Orsini started working for the district in 1990 as a utility worker step 1, a job which involved climbing in trenches to repair sewer lines, painting and cleaning district facilities. Orsini rose through the ranks and was hired as the district manager by the board in April 2013.

Before being picked as manager, Orsini served as the interim manager, running the district following the Nov. 10, 2012 death of manager Norman Shopay, who suffered an apparent heart attack while traveling out of the area.

The idea behind the "Succession Plan" is to have a clear process in

place should the manager and other key employees leave their jobs for whatever reason.

This involves creating master lists of critical tasks, creating annual calendars and cross-training staff so they can do each other's jobs. The plan also includes detailed job descriptions so recruitment can get underway in a timely manner for employees to replace those who have left.

In the case of Orsini, the board would begin the process of recruiting a replacement in November 2019. Orsini's replacement would be hired in November 2020.

The consultant, from Fremont, who is creating the "Succession Plan," will be paid no more than \$20,000. That contract includes three trips to McKinleyville and attendance at one board meeting.



**Greg Orsini**

**Benzene found outside Fountaingrove contamination area****KEVIN MCCALLUM**

THE PRESS DEMOCRAT | February 23, 2018, 5:49PM

Santa Rosa may be zeroing in on the cause of the contamination in the water supply of the devastated Fountaingrove neighborhood, but there are also troubling signs that the problem may extend beyond the immediate advisory area.

Since Jan. 24, when the city last released detailed test results, the city has found 58 additional instances of benzene in the drinking water in the Fountaingrove area. The vast majority came from the 184-acre area north and south of Fountain Grove Parkway around Fir Ridge Drive, an area once home to 350 families. Only 13 homes remain following the October wildfires.

Residents of the area have been under a strict advisory for months to not drink or boil the water while the city tries to find the source of the contamination and fix the problem, something that could cost upwards of \$20 million if the area's water system needs replacement.

But a handful of tests have recently detected benzene in areas outside the advisory zone, a new development that may complicate the 3-month-long hunt for the cause of the contamination.

In response, the city is launching a more aggressive regimen of water tests covering all the burned areas of the city, including Coffey Park, in its effort to make sure other burn zones aren't experiencing similar problems.

"We just don't want to leave any stone unturned going forward," Ben Horenstein, the director of Santa Rosa Water said Thursday.

The new sample results are out of 242 tests the city has conducted since Jan. 24. That means about a quarter of the samples the city is taking are showing benzene, a chemical commonly found in plastics and gasoline that is a human carcinogen.

That latest results bring to 145 the total number of tests confirming benzene at levels that exceed state standards. The maximum containment level (or MLC) for benzene in drinking water in the state is 1 part per billion.

The newest results are similar in range to those that have had been discovered before Jan. 24, with some exceptions.

The first batch contained four test results showing benzene levels over 500 parts per billion, one of which was as high as 918 parts per billion.

This time, however, there were no results over 500 parts per billion. There were three between 10 and 500 ppb, 10 between 25 and 100, 16 between 5 and 25 ppb, and 29 between 1 and 5 ppb.

But seven of those results were from outside the existing advisory area. Six of those results were under 10 ppb, while the seventh was something of an outlier at 240 parts per billion, Horenstein said.

Before last week, the city had only received one positive test for benzene outside the advisory area, and it disappeared and didn't return after some equipment was replaced.

The city is now replacing the high-density polyethylene service lines that lead to those seven locations, and plans to test them to see if it fixes the problem, said Jennifer Burke, the city's deputy director of water and engineering resources.

All the seven locations are located at burned home sites. No tests performed at existing homes have shown contamination since the area was isolated, Burke said.

# UC Davis study warns salmon headed for extinction

- By Frank Robertson, Staff Writer
- Feb 27, 2018 Updated 18 hrs ago



Chinook salmon heading upstream.

**SALMON SEASON** — Anglers abounded along the Russian River in Guerneville last weekend.

- Photo Frank Robertson

The Russian River's endangered salmon population faces near extinction this century if current environmental hazards go unchecked, according to a report last week to the North Coast Regional Water Quality Control Board.

Entitled "Fish in Hot Water," the report by University of California at Davis fisheries biologists "finds that if present population trends continue, 45 percent of California's native salmonids are likely to be extinct in the next 50 years," said NCRWQCB Executive Officer Matt St. John in a report summary. The die-off could be 75 percent within 100 years, owing mainly to climate change and global warming.

"The effects of climate change on California salmonids are considered the major, overarching threat" to salmonid survival, said St. John.

The salmon report, presented by Peter Moyle, Rob Lusardi and Patrick Samuel of the U.C. Davis Center for Watershed Studies, cites the recent four-year California drought and expanding research into the effects of climate change among key reasons why "the future for California's native salmon, steelhead and trout populations looks dire," said St. John.

Warmer water, lower stream flows and sea level rise are among the major concerns threatening the survival of the native fish, said St. John's report. The report's basic findings show that most endangered fish populations on the North Coast have declined since 2007, said Moyle, the report's lead author.

"So over 10 years we've seen a significant decline of these species. Obviously drought is a contributing factor to this," said Moyle. "Our predictions are that if these present trends continue about three-quarters of these fish will be extirpated by 2100. That's why this is so alarming."

"We think that roughly half of them will be extirpated in 50 years. That's if present trends continue...If we don't do something about it, this is what will happen," said Moyle.

He added: "There's a lot we can do. But the public needs to understand that if you want to have salmonids around in California in the future a lot of sacrifices have to be made and we have to invest in these watersheds."

The informational report is intended “to facilitate a discussion of potential actions the regional board can pursue to protect salmonid populations, said St. John. Immediate action is needed “to improve habitats and make conditions more suitable to long-term survival.”

Some of needed actions, such as improving tributary habitat, regulating stream depletion caused by vineyard and cannabis cultivation, attempting to maintain a closed estuary in the summer and removing fish passage barriers, are under way in the Russian River watershed.

# **CORRESPONDENCE**



828 SEVENTH STREET, PO BOX 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**

JOHN FRIEDENBACH

February 26, 2018

The Honorable Bob Wieckowski, Chair  
Senate Budget Subcommittee No. 2  
State Capitol, Room 4085  
Sacramento, CA 95814

The Honorable Richard Bloom, Chair  
Assembly Budget Subcommittee No. 3  
State Capitol, Room 2003  
Sacramento, CA 95814

**Re: Proposed Drinking Water Tax: Budget Trailer Bill and SB 623 – OPPOSE UNLESS AMENDED**

Dear Chair Wieckowski and Chair Bloom,

I am writing to express our strong opposition to a proposed state tax on drinking water before the California Legislature. The proposal is being advanced through SB 623 by Sen. William Monning (D-Carmel), a two-year bill introduced in 2017, and a Brown Administration budget trailer bill that is based on SB 623.

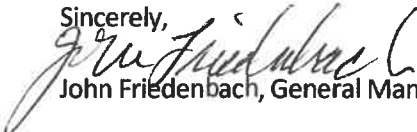
As a local water agency, we are committed to delivering safe and reliable water. We wholeheartedly support the goal of ensuring safe drinking water for all Californians, especially those in disadvantaged communities. However, taxing Californians for something that is essential to life does not make sense, especially at a time when some are raising concerns about the cost of living in the state. Our agency has serious concerns with requiring California's local water agencies to collect this tax for the state. Simply put, taxing drinking water – an essential life-sustaining resource – is just not sound policy.

As an alternative, we are working to advance a more appropriate package of funding, which would include existing federal funds from the Safe Drinking Water State Revolving Fund (SRF), voter-approved general obligation bonds, the assessments related to nitrates in groundwater proposed in the budget trailer bill and in SB 623, and a limited amount of general fund dollars.

For these reasons, Humboldt Bay Municipal Water District **opposes the budget trailer bill related to a tax on drinking water and SB 623 and respectfully requests your "NO" vote on these measures.**

If you or members of your staff have any questions, please contact me at 707-443-5018 or via email at: [friedenbach@hbmwd.com](mailto:friedenbach@hbmwd.com).

Sincerely,

  
John Friedenbach, General Manager

cc: Members, Senate Budget Subcommittee No. 2  
Members, Assembly Budget Subcommittee No. 3  
The Honorable William W. Monning  
Ms. Kim Craig, Deputy Cabinet Secretary, Office of the Governor  
Senator Mike McGuire  
Assemblymember Jim Wood  
Humboldt County Board of Supervisors





SECTION 61 PAGE NO. 2  
**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

828 SEVENTH STREET, PO Box 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**

JOHN FRIEDENBACH

February 26, 2018

Senator Mike McGuire

Via Email: [senator.mcguire@senate.ca.gov](mailto:senator.mcguire@senate.ca.gov)

**Re: Proposed Drinking Water Tax: Budget Trailer Bill and SB 623 – OPPOSE UNLESS AMENDED**

Dear Senator McGuire,

I am writing to express our strong opposition to a proposed state tax on drinking water before the California Legislature. The proposal is being advanced through SB 623 by Sen. William Monning (D-Carmel), a two-year bill introduced in 2017, and a Brown Administration budget trailer bill that is based on SB 623.

As a local water agency, we are committed to delivering safe and reliable water. We wholeheartedly support the goal of ensuring safe drinking water for all Californians, especially those in disadvantaged communities. However, taxing Californians for something that is essential to life does not make sense, especially at a time when some are raising concerns about the cost of living in the state. Our agency has serious concerns with requiring California's local water agencies to collect this tax for the state. Simply put, taxing drinking water – an essential life-sustaining resource – is just not sound policy.

As an alternative, we are working to advance a more appropriate package of funding, which would include existing federal funds from the Safe Drinking Water State Revolving Fund (SRF), voter-approved general obligation bonds, the assessments related to nitrates in groundwater proposed in the budget trailer bill and in SB 623, and a limited amount of general fund dollars.

For these reasons, **Humboldt Bay Municipal Water District opposes the budget trailer bill related to a tax on drinking water and SB 623 and respectfully requests your "NO" vote on these measures.**

If you or members of your staff have any questions, please contact me at [friedenbach@hbmwd.com](mailto:friedenbach@hbmwd.com).

Sincerely,

A handwritten signature in cursive script, appearing to read "John Friedenbach".

John Friedenbach, General Manager

cc: The Honorable William W. Monning  
Ms. Kim Craig, Deputy Cabinet Secretary, Office of the Governor

**Contact Information for Member Agency Letters**

**Assembly Budget Subcommittee No. 3**

**Assembly Member Richard Bloom (D-Santa Monica)**

Phone: (916) 319-2050

Fax: (916) 319-2150

Email: [assemblymember.bloom@assembly.ca.gov](mailto:assemblymember.bloom@assembly.ca.gov)

**Assembly Member Vince Fong (R-Bakersfield)**

Phone: (916) 319-2034

Fax: (916) 319-2134

Email: [assemblymember.fong@assembly.ca.gov](mailto:assemblymember.fong@assembly.ca.gov)

**Assembly Member Kevin Mullin (D-South San Francisco)**

Phone: (916) 319-2022

Fax: (916) 319-2122

Email: [assemblymember.mullin@assembly.ca.gov](mailto:assemblymember.mullin@assembly.ca.gov)

**Assembly Member Jim Patterson (R-Fresno)**

Phone: (916) 319-2023

Fax: (916) 319-2123

Email: [assemblymember.patterson@assembly.ca.gov](mailto:assemblymember.patterson@assembly.ca.gov)

**Assembly Member Cristina Garcia (D-Bell Gardens)**

Phone: (916) 319-2058

Fax: (916) 319-2158

Email: [assemblymember.garcia@assembly.ca.gov](mailto:assemblymember.garcia@assembly.ca.gov)

**Senate Budget Subcommittee No. 2**

**Senator Bob Wieckowski (D-Fremont)**

Phone: (916) 651-4010

Fax: (916) 651-4910

Email: [senator.wieckowski@senate.ca.gov](mailto:senator.wieckowski@senate.ca.gov)

**Senator Mike McGuire (D-Healdsburg)**

Phone: (916) 651-4002

Fax: (916) 651-4902

Email: [senator.mcguire@senate.ca.gov](mailto:senator.mcguire@senate.ca.gov)

**Senator Jim Nielsen (R-Red Bluff)**

Phone: (916) 651-4004

Fax: (916) 651-4904

Email: [senator.nielsen@senate.ca.gov](mailto:senator.nielsen@senate.ca.gov)

**Senator Tony Mendoza (D-Artesia)**

Phone: (916) 651-4032

Fax: (916) 651-4932

Email: [senator.mendoza@senate.ca.gov](mailto:senator.mendoza@senate.ca.gov)

**cc List for Letters**

**Senator William Monning, author of SB 623 (D-Carmel)**

Phone: (916) 651-4017

Fax: (916) 651-4917

Email: [senator.monning@senate.ca.gov](mailto:senator.monning@senate.ca.gov)

**Kim Craig, Office of the Governor**

Email: [kim.craig@gov.ca.gov](mailto:kim.craig@gov.ca.gov)



1125 16<sup>th</sup> Street, Suite 202, Arcata, CA 95521  
(707) 445-7508 / (707) 825-9181 fax  
www.humboldtlafo.org

Date: February 14, 2018

**H.B.M.W.D. FEB 15 2018**

To: Chair and Clerk to the Boards of:

Arcata Fire Protection District  
Humboldt Bay Municipal Water District  
Humboldt Bay Harbor, Recreation and Conservation District  
North Humboldt Recreation and Park District  
Fortuna Fire Protection District  
Fortuna Cemetery District  
Rohner Community Recreation and Park District

From: Colette Metz, LAFCo Administrator

**Subject: Call for Nominations: Special District Appointment to Countywide  
Redevelopment Agency (RDA) Oversight Board**

This call for nominations describes the process of nominating and selecting a special district representative to the Humboldt County Redevelopment Agency Oversight Board.

#### **Reason for Nomination**

In 2011, the State of California dissolved redevelopment agencies throughout the state and created redevelopment agency (RDA) oversight boards as successor agencies. As part of that same legislation, as of July 1, 2018, the more than 400 RDA oversight boards in California will be consolidated into one oversight board per county.

In accordance with Health and Safety Code Section 34179(j), up to seven members are allowed on each countywide RDA oversight board, one of whom "may be appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code, for the types of special districts that are eligible to receive property tax revenues pursuant to Section 34188."

When no independent special district selection committee exists, or when it is not feasible for the committee to meet, state law authorizes the LAFCo Executive Officer to manage the business of the committee by mail. Humboldt LAFCo has historically conducted a mailed ballot election process for purposes of selecting special district representatives to serve on LAFCo. For this reason, the California Special District Association (CSDA) has requested that LAFCo administer the operations of the Selection Committee to ensure a special district representative is locally appointed to the consolidated RDA oversight board. If the Selection Committee fails to act by July 15, 2018, the governor will make the appointment on its behalf.

**Selection of Special District Representative**

In Humboldt County, there are currently three (3) RDA oversight boards: Arcata, Eureka and Fortuna. Previously, special district representatives for each of these RDA oversight boards were "appointed by the largest special district, by property tax share" pursuant to Health and Safety Code 34179(3)(A). However, the new selection process outlined in Section 34179(j)(3) does not restrict appointment based on the highest proportionate property tax share of special districts. Therefore, the Humboldt County Auditor-Controller has provided a list of districts that have territory in the jurisdiction of a former RDA and are eligible to receive property tax distributions from the Redevelopment Property Tax Trust Fund pursuant to Section 34188, as follows:

**1. Arcata RDA Oversight Board**

Current Arcata RDA District Representative:

Justin McDonald, Arcata Fire Protection District

Eligible Districts:

Arcata Fire Protection District

Humboldt Bay Municipal Water District

Humboldt Bay Harbor, Recreation and Conservation District

North Humboldt Recreation and Park District

**2. Eureka RDA Oversight Board**

Current Eureka RDA District Representative:

Bruce Rupp, Humboldt Bay Municipal Water District

Eligible Districts:

Humboldt Bay Municipal Water District

Humboldt Bay Harbor, Recreation and Conservation District

**3. Fortuna RDA Oversight Board**

Current Fortuna RDA District Representative:

Lon Winburn, Fortuna Fire Protection District

Eligible Districts:

Fortuna Fire Protection District

Fortuna Cemetery District

Rohner Community Recreation and Park District

Humboldt Bay Harbor, Recreation and Conservation District

All districts listed may nominate and vote for the special district representative to the Countywide RDA Oversight Board.

**Process to Nominate a Special District Representative**

The above referenced special districts are eligible to nominate one person, a board member or managerial employee (as defined by that district's Board of Directors), for election to the consolidated RDA oversight board in Humboldt County. A copy of the district's resolution or minute action must accompany the nomination.

The deadline for receiving nominations is March 30, 2018. Nominations and supporting documentation may be mailed, faxed, or e-mailed to LAFCo.

Humboldt LAFCo  
1125 16<sup>th</sup> Street, Suite 202  
Arcata, CA 95521  
E-mail: [administrator@humboldtlaftco.org](mailto:administrator@humboldtlaftco.org)  
Fax: 707-825-9181

LAFCo will mail ballots no later than April 11<sup>th</sup>. The ballots must be received by LAFCo no later than 5:00 p.m. on June 15, 2018. The successful candidate will be notified and election results mailed no later than June 29<sup>th</sup>.

If you have any questions, please contact Colette Metz at 707-445-7508 or [administrator@humboldtlaftco.org](mailto:administrator@humboldtlaftco.org).



**HUMBOLDT BAY MUNICIPAL WATER DISTRICT** *G13 RIGTC.1*

828 SEVENTH STREET, PO Box 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**

JOHN FRIEDENBACH

February 23, 2018

Colette Metz, LAFCo Administrator  
Humboldt Local Agency Formation Commission  
1125 16<sup>th</sup> Street, Suite 202  
Arcata, CA 95521

**RE: Fieldbrook Glendale Community Services District (FGCSD) Annexation**

Dear Ms. Metz,

I am writing in response to the Notice of Filing referral dated February 20, 2018 that we received for the above referenced annexation. As stated in the referral, Humboldt Bay Municipal Water District (HBMWD) currently services one of the proposed annexation parcels with domestic water from our transmission mainline located adjacent to the parcel. The location for this connection is outside our customary service area, but was done so because of the current boundaries of the FGCSD and the proximity of our transmission waterline.

Our District would prefer that the Sundberg parcels be serviced by the FGCSD for a number of reasons. The FGCSD distribution grid runs down Glendale Drive adjacent to the parcels proposed to be annexed. Those property owners desire to have wastewater services which FGCSD provides. Our HBMWD does not provide wastewater services. FGCSD requires water service from them in conjunction with providing wastewater service. Consequently, it is logical for these parcels to be served by the FGCSD.

Therefore, based on the reasons listed above and for efficiency of service, the HBMWD supports the proposed annexation.

Respectfully

John Friedenbach  
General Manager

Cc: Rick Hanger, FGCSD



**DEPARTMENT OF PARKS AND RECREATION**

Division of Boating and Waterways  
One Capitol Mall, Suite 500  
Sacramento, California 95814  
Telephone: (916) 327-1779 / Fax: (916) 327-1770

Lisa Ann L. Mangat, *Director*

**FEB 12 2018**

**H.B.M.W.D. FEB 16 2018**

Humboldt Bay Municipal Water District  
828 7th Street  
Eureka, CA 95501

Attention: Ms. Sherrie Sobol, Administrative Liaison  
Mr. John Friedenbach, General Manager

**RE: Notice of Executed Agreement for 2017/18 Quagga and Zebra Mussel Infestation Prevention Grant**

Agreement No.: C17Q0806  
Fiscal Year: 2017/18  
Term: September 11, 2017 through September 10, 2019  
Amount: \$7,480.00

Dear Grantee,

Enclosed is the fully executed grant agreement between the California Department of Parks and Recreation Division of Boating and Waterways (DBW), and the Humboldt Bay Municipal Water District which sets forth the terms and conditions for the grant Project "Cards, Bands, Stickers and Dedicated Phone lines." Work associated with this agreement is reimbursable as of the term start date.

Please submit the quarterly reimbursement claims, progress reports, and deliverables that occurred during the quarterly reporting period by the appropriate due date. The quarterly reporting due dates are below:

January 20, 2018	January 20, 2019
April 20, 2018	April 20, 2019
July 20, 2018	July 20, 2019
October 20, 2018	October 20, 2019

The final report is due 30 days after the term end date.

Reimbursement claim forms and progress report templates are provided on the DBW webpage at: [http://www.dbw.ca.gov/?page\\_id=29256](http://www.dbw.ca.gov/?page_id=29256). Reimbursement payments will be issued only to the agency name and address as stated in the resolution or the agency letter of approval. Please submit completed claim forms and progress reports electronically to: Leticia Padilla, Grant Administrator at: [leticia.padilla@parks.ca.gov](mailto:leticia.padilla@parks.ca.gov).



Ms. Sobol, Mr. Friedenbach  
Page 2 of 2

SECTION 64, PAGE NO. 2

As part of the terms of the agreement for an implementation project, a sign with the DBW logo and specified language, will be posted. Please consult the grant agreement for details regarding this requirement.

If you have any questions, please contact your Grant Administrator, Leticia Padilla, at (916) 327-1270 or email at [leticia.padilla@parks.ca.gov](mailto:leticia.padilla@parks.ca.gov), or myself at [Cara.Roderick@parks.ca.gov](mailto:Cara.Roderick@parks.ca.gov), 916-327-1849.

Sincerely,



Cara Roderick  
Senior Environmental Scientist Supervisor  
Quagga and Zebra Mussel Infestation Prevention Grant Program

Enclosure: Executed grant agreement

cc: Elizabeth Brusati, [Elizabeth.Brusati@wildlife.ca.gov](mailto:Elizabeth.Brusati@wildlife.ca.gov), Invasive Species Program, CDFW  
L. Breck McAlexander, [Louis.McAlexander@wildlife.ca.gov](mailto:Louis.McAlexander@wildlife.ca.gov), Region 1 (Northern), CDFW



SECTION 65, PAGE NO. 1  
**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

828 SEVENTH STREET, PO BOX 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**

JOHN FRIEDENBACH

March 1, 2018

Mr. Michael Francesconi  
Ruth Lake CSD  
12200 Mad River Road  
Mad River, CA 95552

Dear Mike,

Thank you for sharing your prior board minutes with us. This was customarily done by your predecessors. There is one item I noticed in your January 2018 minutes that is a concern. Specifically, it is the discussion regarding my suggestion for your board to consider you and/or your staff's participation in the CSDA conferences and trainings. Your minutes under item number **10 New Matters for Board Consideration** state: "A letter from John Friedenbach requested Mike Francesconi attend a Service District Conference, paid with grant funds from Humboldt Bay Water District."

In my January 5, 2018 letter to your board president Dennis Johnson, a copy of which is attached, I did not suggest that Humboldt Bay Municipal Water District (HBMWD) pay in any way with or without grant funds for Ruth Lake CSD's staff to attend the CSDA's conferences. What I suggested was that your board considers using some of **your district funds** that have been saved in your operating expenses that have been reimbursed to you via the quagga grants. The consideration by your board would be: do we have those funds available and do they want to send staff to the CSDA conferences and/or trainings? These would be action items for your board to consider and their resulting actions appropriately recorded in your board minutes. Your district is responsible for those decisions, not HBMWD. Furthermore, the quagga grants do not pay for those types of expenses. I trust this clarifies the suggestions that I had made in my January letter.

Another issue that has arisen is the lack of Lease Lot requests for improvements forwarded to our office for approval during the past six months. The off season and winter months are typically when these requests are initiated by Lease Lot holders. Our Superintendent has provided you with the process that has traditionally worked very well between our agencies to process lease lot improvement requests. See copy attached. You had mentioned that you intended to make improvements to the dock at your lease lot. This process would apply to you as well.

If you have any questions regarding any of the above, please do not hesitate to contact me.

Regards,

  
John Friedenbach  
General Manager

Cc: RLCSD Directors, w/encls



# HUMBOLDT BAY MUNICIPAL WATER DISTRICT

SECTION 615 PAGE NO. 2

828 SEVENTH STREET, PO BOX 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

## BOARD OF DIRECTORS

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

## GENERAL MANAGER

JOHN FRIEDENBACH

January 5, 2018

Mr. Dennis Johnson  
President  
Ruth Lake Community Services District  
12200 Mad River Road  
Mad River, CA 95552-9347

### Re: California Special District Association (CSDA) training

Dear Dennis,

As you are aware, our District has been assisting yours with obtaining California State Parks Division of Boating and Waterways funds under their Quagga and Zebra Mussel Infestation Prevention Grant Program. As the owner of Ruth Lake, our district is required to be the applicant for these grants. Your District incurs the actual expenses, which we in turn submit for grant reimbursement. The first three applications were successful in obtaining \$ 80,130 for your District.

15/16 Grant	\$ 9,150 (operating expenses of \$5,600)
16/17 Grant	\$63,500 (operating expenses of \$3,900)
17/18 Grant	\$ 7,480 (operating expenses of \$7,480)

The operating expenses consist of: gate access key cards, boat to trailer bands, inspection stickers, and telephone monthly charges. The total of \$16,980 of operating costs is being reimbursed through the grant program.

I bring these figures to your attention with a suggestion for your consideration. Your District's General Manager and Board Secretary are relatively new to your District. Respectfully, it occurs to me that your staff would benefit from some of the trainings offered by the CSDA. I believe your District is a member of CSDA. The specific trainings that our District utilizes are the General Manager's Summit and the Board Secretary Conference. I have attended the GM Summit and found it very informative as well as a positive networking opportunity for peers in other special districts. Additionally, we send our Board Secretary to the annual Board Secretary's Conference nearly every year. She has become well versed in the procedures and policies necessary for an effective and compliant administrative operation of a Special District. I have attached the conference schedules from last year for your review. The current year 2018 conferences are located on the CSDA website: [www.csda.net](http://www.csda.net). The details will be available as the conference dates get closer.

I understand that budgets are typically tight, but given the operating costs savings that your District has realized through the Quagga grants, an opportunity may exist to re-invest a portion of those savings into your staff's education that will benefit the RLCSD for years to come.

Given the multiple changes in staff that you have experienced during this past year, I thought sharing this information might be useful for your organization.

If you have any questions, please do not hesitate to contact me. Or you can contact the CSDA or view their website.

Respectfully,



**COPY**

John Friedenbach



SECTION G5 PAGE NO. 4  
**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

828 SEVENTH STREET, PO Box 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**

JOHN FRIEDENBACH

February 1, 2018



**COPY**

Hi Mike,

Regarding: Lease Lot Improvement process

Please see attached examples of the approval forms that are submitted to the District and returned with or without the District approval, depending on what the proposed project entails.

Typically, the approval process works following the steps line out below:

1. Lease lot holder has an improvement they would like to do on their lease lot.
2. The lease lot holder would contact the RLCSD with their proposed project.
3. RLCSD would review the project and determine if the project is a permissible project and with-in the scope of allowed improvements per the RLCSD policy handbook. If not, RLCSD rejects the project and works with the lease lot holder to get it to comply if possible. It is not the responsibility of the HBMWD to enforce the policies of the RLCSD.
4. Assuming the project does meet all RLCSD policies. A lease lot improvement form with attached sketches of proposed work is filled out and provided to the HBMWD Representative (Brian) for his review.
5. The HBMWD Representative then looks at the proposed work and verifies the projects compliance with the Districts' policies and turns the form and sketch into the Main Office in Eureka for final review and approval.
6. After final approval from HBMWD the signed form is returned to RLCSD and then to be given to the lease lot holder.

A few of noteworthy items to consider:

1. If a project requires a permit from Trinity County Building Department, the County will not issue a permit unless the District (HBMWD) has signed off on conceptual approval of the project. After the county has issued a permit the HBMWD still needs to approve the final project scope.
2. An approved improvement project needs to be completed with-in one year from approval date.
3. HBMWD approval of a project, does not imply engineering design approval.
4. Removal of trees / brush is considered an improvement, and needs District approval.

I hope this helps with understanding how the approval process works.

If you have any questions please feel free to contact me.

### Ruth Lake Community Services District Ruth Lake Buffer Strip Lease Improvement Approval Form

The Following improvement(s) are authorized in concept for implementation upon the Districts Lease Lands at Ruth Lake:

Approval Date: 07/29/17 Lease Lot Number: 39c  
Leaseholder: Charles and Robyn Petrusha

**Improvement(s):** At this lease the garage will be the last thing he can build. He is at the maximum on buildings now. The temporary garage will be removed to place the new one.

1. Fire & Liability Insurance certificate filed at RLCSO office must be current (01/03/2018)
2. Disturbed ground must be contained, treated or removed to ensure no erosion into lake.
3. All debris must be removed from site upon completion.

**Comments:** Mr. and Mrs. Petrusha want to add a garage 16 x 40 to the front of their lease lot. This will be the third building on the lease lot: cabin, one outbuilding, and this garage. They are not close to any of their property lines with this building, no trees will need to be cut down, and they are above the 2,675 elevation standard.

**General Conditions:**

1. Sublease holder must obtain all permits prior to commencement of project. A copy of all final inspection permits must be submitted to RLCSO when project is complete.
2. Approved project must be started within 360 days of the approval date, or it must be resubmitted.

**Disclaimer:** RLCSO conceptual approval does not imply engineering, building, safety, planning or health approval. It only means approval in concept and that the improvement does not appear to interfere with RLCSO or HBMWD activities of the master lease with Trinity County and Humboldt Bay MWD. It is not a substitute for any permits required by Trinity County or other State or Federal agencies.

**Note:** No structures shall be placed at an elevation less than 2675 ft. (spillway level plus 21 feet) Horizontal setback (from the 2675 level) must be 20 ft. Side and back lot line spacing shall not be less than 30 feet. Lease lots wishing improvements but not able to meet all of these requirements must be considered on an individual basis by both the RLCSO board and the HBMWD board of directors.

Vertical distance from spillway (2654) (estimated/measured) is? + 2675  
Horizontal distance from 2675 (estimated/measured) is? +20

cc: \_\_\_ Leaseholder  
\_\_\_ Lease file  
\_\_\_ HBMWD

Signature: Donny Stewart





# Humboldt Bay Municipal Water District

## Ruth Lease Buffer Strip Lease Improvement Approval

Date: 8/14/2017

Lease Number: 39c

Name: Charles & Robyn Petruscha

**Improvements:** Add 16 x 40 garage to front of lease lot. The garage is not close to any property lines and no trees will need to be cut down. Ruth Area Representative has seen the plot plan and has no issues. The building will be fully permitted by Trinity County.

**This improvement request has been reviewed by Ruth Area Representative**

**Conditions of Approval:** 1. Temporary garage must be removed.

**Approval:**

2. Fire & Liability Insurance certificate filed at RLCSD office must be current (expires 1/3/2018).

3. Disturbed ground must be contained, treated or removed to ensure no erosion into lake.

4. All debris must be removed from site upon completion.

**General Conditions  
as Appropriate for  
Type of  
Development:**

1. Septic must have a source of water and Trinity County Health permit.

2. Lake water systems must have special permit.

3. Roads must conform to adopted road standards.

4. Must submit plans with basic construction details to the RLCSD office.

5. Trailers, buildings, decks, etc. must have Trinity County permits unless exempt.


6. Approved project must be completed within 360 days of the approval date, otherwise the project must be resubmitted for consideration.

**Disclaimer:**

HBMWD authorization does not imply engineering, building safety planning or health approval. It only means the improvement does not appear to interfere with HBMWD activities at Ruth Lake. HBMWD approval is subject to the conditions of the master lease with Trinity County and Ruth Lake C.S.D.

**Note: No structures shall be placed at an elevation less than 2,675 feet (spillway level plus 21 feet). Horizontal setback (from the 2,675 level) must be 20 feet. Side and back lot line spacing shall not be less than 30 feet. Lease lots wishing improvements but not able to meet all of these requirements must be considered on an individual basis by both the RLCSD Board and the HBMWD Board of Directors.**

Approved By

  
John Friederich,  
General Manager, HBMWD

 **COPY**

cc: Brian Newell  
Dale Davidsen

# **CONTINUING BUSINESS**



**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

To: Board of Directors  
From: John Friedenbach  
Date: March 2, 2018  
Subject: Water Resource Planning (WRP) – Status Report

.....

The purpose of this memo is to summarize recent activities and introduce next steps for discussion.

**1) Top-Tier Water Use Options**

**a) Local Sales**

No significant activity has transpired on this topic during the past month. Periodically our office receives inquiries to issue “Will Serve” letters for new cannabis enterprises.

**b) Transport**

No significant activity has transpired on this topic during the past month. However, we received additional inquiries from Erico Tavares regarding ocean transport of water. Additionally, I met with Larry Oetker, Executive Director of the Humboldt Bay Harbor Commission to discuss condition of existing water delivery infrastructure at the former LP Pulp Mill site.

**c) Instream Flow Dedication**

Waiting to hear back from the Wildlife Conservation Board about our grant application.

**“Stream Flow Enhancement Program Board Meeting.** The Wildlife Conservation Board will hold a special Board meeting on March 22, 2018, to consider proposals received during the 2017/18 Solicitation for WCB's Stream Flow Enhancement Program. An agenda will be released on March 9, 2018.”

## Chico Enterprise-Record

### Editorial: Water bond blame belongs to legislators

POSTED: 02/25/18, 2:40 AM PST UPDATED: 1 DAY AGO  
# COMMENTS

We watch with wonder as legislators lash out at the California Water Commission for its handling of the water storage money included in Proposition 1.

That's because the commission is doing exactly what those legislators — and the public — told it to do.

Clearly a lot of voters thought they were voting to get Sites and Temperance Flat reservoirs built. But that's not what Proposition 1 said.

It's understandable that regular voters might have missed that. The water storage part of the measure is buried 10 pages deep in dense legalese.

If you get to the eighth chapter without your head exploding, you might still miss it, as it's entitled "Statewide Water System Operational Improvement and Drought Preparedness." Perhaps "Increasing Water Storage" would be a little too easy to understand.

You'll find language that sets up a competitive process for allocating the money, with reservoirs, underground water banks and wastewater restoration projects all eligible.

It also lists five "public benefits" as the only things the money can be spent on, and just having more water on hand is not one of the five.

It's a ponderous piece of writing, and voters aren't supposed to have to navigate through that stuff. That's what we pay our legislators to do. Yet they were touting Proposition 1 as a measure to get Sites and Temperance Flat built, even though neither is even mentioned in the measure.

Now they're surprised it isn't happening. Just Wednesday Brian Dahle, the Republican from Bieber whose district includes eastern Butte County, wheeled a red wagon full of petitions to the commission meeting, with 4,000 signatures demanding immediate funding for Sites and Temperance Flat. The government had promised that to the people, he said.

Well, no. Maybe some overly optimistic legislators promised that to the people, but the measure those same legislators drafted and the voters approved did not. Quite the contrary, actually.

It's clear a lot of people didn't realize what they were voting on. The wordsmiths who drafted the measure appear to have realized folks would be angry when they realized they'd been had, because the penultimate section of chapter eight is this bit of prose:

"79760. (a) In approving the Water Quality, Supply, and Infrastructure Improvement Act of 2014, the people were informed and hereby declare that the provisions of this chapter are necessary, integral, and essential ... As such, any amendment of the

provisions of this chapter by the Legislature without voter approval would frustrate the scheme and design that induced voter approval of this act. The people therefore find and declare that any amendment of the provisions of this chapter by the Legislature shall require an affirmative vote of two-thirds of the membership in each house of the Legislature and voter approval.”

That locks the door and throws away the key. Dahle doesn't need a wagon full of petitions to get money steered to Sites and Temperance Flat. He needs a two-thirds vote of the Legislature and another vote of the people.

There's a phrase in that paragraph that is one of those with a specific meaning in legal terms that also works in the common lexicon: the idea of a “scheme” to “induce voter approval.”

Scheme sounds about right. Scam might be appropriate as well. Proposition 1 was larded up with all sorts of special allocations to appeal to one group or another. And its authors allowed those who see the value of surface storage to believe they were actually going to get that, quick and easy.

We were one of the few newspapers in the state to editorialize against the water bond. Legislators like Sen. Jim Nielsen, R-Red Bluff, said it was our best hope to get Sites Reservoir built. Now they're having to fight for what they thought was a sure thing.

It's beginning to look like they — and voters — got fooled.

Next time, they won't be so trusting. And they will read the fine print.

# California water agency gets scolded: Speed up spending billions on new reservoirs

BY DALE KASLER  
[dkasler@sacbee.com](mailto:dkasler@sacbee.com)

February 21, 2018 11:27 AM  
Updated 2 hours 41 minutes ago

With California facing another potential drought, legislators demanded Wednesday that a state agency release \$2.7 billion in bond funding for dams, reservoirs and other water storage projects.

Assembly Republican Leader Brian Dahle, pulling a child's red wagon, arrived at a meeting of the California Water Commission with a stack of petitions with 4,000 signatures supporting the two largest reservoir projects seeking bond money: Sites Reservoir north of Sacramento and Temperance Flat in the San Joaquin Valley. "Farmers like myself are concerned about the shortage of water – we're seeing another drought cycle," he told the commission.

The commission, which is in charge of doling out \$2.7 billion in Proposition 1 bond money approved by voters in 2014, has come under attack in recent weeks. In January, the its staff issued a preliminary determination that the 11 projects under consideration aren't eligible for nearly as much funding as they'd like.

Lawmakers and others accused the commission of effectively thwarting the will of the voters.

"Many people agree these projects make a lot of sense ... but still received low scores (from the commission's staff)," said Assemblyman James Gallagher, R-Yuba City. "There's very clearly a mandate that this money be spent."

Commission officials insisted that they're ready to fund eligible projects but need more information from project proponents.

"The commission is anxious to get the money out the door," said chairman Armando Quintero. The commission expects to make final decisions in July.

Under Proposition 1, the commission can't award funding for projects that merely store water for individual water agencies; it can only fund "public benefits," with

an emphasis on eco-system improvements that help the troubled Sacramento-San Joaquin Delta.

The preliminary evaluation by the commission staff was deflating to many reservoir proponents. Temperance Flat, a \$2.6 billion reservoir seeking \$1 billion in Proposition 1 assistance, was deemed ineligible for any money. Sites Reservoir, a \$5 billion project seeking \$1.6 billion, was considered eligible for only \$660 million.

Jim Watson, manager of the Sites Joint Powers Authority, said he's confident the commission will ultimately fund Sites more generously. "Part of it is us better telling the story," he said. "I know they're all motivated to fulfill the mandate of Prop 1."

Not everyone was urging the commission to fund new dams and reservoirs. Environmentalists such as Rachel Zwillinger, of Defenders of Wildlife, said some projects would hurt the environment and don't deserve funding.

**John Friedenbach**

**From:** lyris@swrcb18.waterboards.ca.gov  
**Sent:** Wednesday, February 07, 2018 3:23 PM  
**To:** John Friedenbach  
**Subject:** Cannabis Cultivation Regulatory Programs



**This is a message from the State Water Resources Control Board.**

The State Water Resources Control Board (State Water Board) has adopted requirements for commercial and personal medical use cannabis cultivation to reduce impacts from discharges of waste and water diversions. The State Water Board Cannabis Cultivation Regulatory Programs are now in effect and cannabis cultivators should apply online for the necessary water quality and water right permits.

***Do you cultivate cannabis? Do you divert surface water to irrigate your cannabis cultivation? If the answer to either of these questions is "yes" or "I plan to," read on!***

- The Cannabis Cultivation Policy includes requirements to reduce impacts from discharges of waste and water diversions associated with cannabis cultivation activities. The Policy is available at the Water Board's Cannabis Cultivation web page: <http://www.waterboards.ca.gov/cannabis/>
- Cannabis cultivators must obtain coverage or waiver under one or both State Water Board cannabis cultivation regulatory programs.
- The Cannabis Small Irrigation Use Registration Program is an expedited way to obtain a water right for cannabis cultivation activities. Many cultivators will need to obtain a Small Irrigation Use Registration by April 1, 2018.
- Most cultivators that have submitted Initial Statements of Diversion and Use or other water right forms to the State Water Board still need to file for a Small Irrigation Use Registration.
- The Cannabis Cultivation Policy and associated regulatory programs do not apply to recreational cannabis cultivators with six (6) plants or less.

***Click the Link to Apply Online for Your State Water Board Water Quality permit and to obtain a Water Right for Cannabis Cultivation:***

***Cannabis Regulatory Program Portal***

For more information, visit these pages:

- Water Board Cannabis Cultivation web page: <http://www.waterboards.ca.gov/cannabis/>

- The webcast of the State Water Board's Cannabis Program December 2017 Workshop on the Cannabis Policy, General Order, Small Irrigation Use Registration Program, and Cannabis Portal, which is available online at: <https://youtu.be/doqzpB69sdo>
- The powerpoint presentation, from the State Water Board's Cannabis Program December 2017 Workshops, which is available online at: [https://www.waterboards.ca.gov/water\\_issues/programs/cannabis/docs/cannabis\\_dec\\_2017\\_outreach\\_presentation\\_color.pdf](https://www.waterboards.ca.gov/water_issues/programs/cannabis/docs/cannabis_dec_2017_outreach_presentation_color.pdf)

**Contact Us for Additional Information:**

- **Water Quality Permits - Cannabis General Order** – (916)-341-5580 or email [DWQ.Cannabis@waterboards.ca.gov](mailto:DWQ.Cannabis@waterboards.ca.gov)
- **Water Rights - Cannabis Small Irrigation Use Registrations** – (916)-319-9427 or email [CannabisReg@waterboards.ca.gov](mailto:CannabisReg@waterboards.ca.gov)
- **Cannabis Cultivation Policy** – email [Cannabiswr@waterboards.ca.gov](mailto:Cannabiswr@waterboards.ca.gov)

**Subscribe to our Email List for Updates:**

If you are receiving this notice in a forwarded message and would like to subscribe to the State Water Board's "Cannabis Cultivators" email notification list, go to:  
[http://www.waterboards.ca.gov/resources/email\\_subscriptions/](http://www.waterboards.ca.gov/resources/email_subscriptions/).

---  
You are currently subscribed to cannabis\_cultivators as: [friedenbach@hbmwd.com](mailto:friedenbach@hbmwd.com).  
To unsubscribe click here: [leave-6620949-5398115.d451c08903bb3b566f2703a37debc910@swrcb18.waterboards.ca.gov](mailto:leave-6620949-5398115.d451c08903bb3b566f2703a37debc910@swrcb18.waterboards.ca.gov)



SECTION 43 PAGE NO. 1  
**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

828 SEVENTH STREET, PO Box 95 • EUREKA, CALIFORNIA 95502-0095

OFFICE 707-443-5018 ESSEX 707-822-2918

FAX 707-443-5731 707-822-8245

EMAIL [OFFICE@HBMWD.COM](mailto:OFFICE@HBMWD.COM)

Website: [www.hbmwd.com](http://www.hbmwd.com)

**BOARD OF DIRECTORS**

SHERI WOO, PRESIDENT

NEAL LATT, VICE-PRESIDENT

J. BRUCE RUPP, SECRETARY-TREASURER

BARBARA HECATHORN, DIRECTOR

MICHELLE FULLER, DIRECTOR

**GENERAL MANAGER**

JOHN FRIEDENBACH

February 13, 2018

Mr. Mark Benzinger

MCMP, LLC

Via email: [mbenzinger@mercerfraser.com](mailto:mbenzinger@mercerfraser.com)

**Re: MCMP Comments and Revised Operations Plan**

Dear Mr. Benzinger,

I am writing on behalf of the District in response to your comments and revised operations plan that you provided to us via email on January 26<sup>th</sup>. We appreciate the time you took to meet with our Board President Sheri Woo, Supervisor Ryan Sundberg and myself on January 23<sup>rd</sup>. As you know, since our initial meeting, we have filed an appeal to the Planning Commission's decision to grant a Special Permit for your project. Our objections stem from a number of fatal flaws with this project at the 90 Glendale Drive property, which are enumerated in our appeal document and will be expanded upon when the appeal and zoning change are considered by the Humboldt County Board of Supervisors.

Our Board also continues to question the proposed zoning change from AG to Heavy Industrial. There are other possible zoning possibilities for this parcel that would provide continuing your current operations consistent with the IR designation under the County's General Plan. Specifically, the AE zone would allow for this. In addition to the lack of notice, lack of environmental review and analysis, lack of consideration of alternatives and mitigation measures, and other defects associated with the project, we also object to the misleading description of the rezone as being necessary to comply with the County's General Plan.

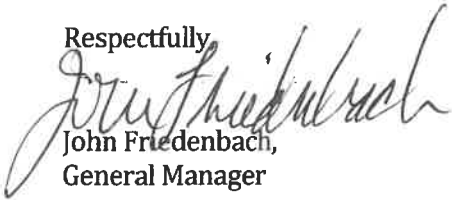
In the interest of protecting the environment and the public health and welfare for the drinking water of 2/3rds of the County's population, and given the overwhelming public protest over siting this project on the Glendale property, our Board can only support the AE zone which would not expand any industrial activity at the proposed site.



MCMP, LLC.  
February 13, 2018  
Page 2

We had hoped that you or another representative from MCMP, LLC would have attended our monthly board meeting last week to discuss this issue.

Respectfully,



John Friedenbach,  
General Manager

Cc: Humboldt County Board of Supervisors  
John Ford, Humboldt County Planning Director  
City of Arcata  
City of Blue Lake  
City of Eureka  
Fieldbrook Glendale CSD  
Humboldt CSD  
Manila CSD  
McKinleyville CSD



736 F Street  
Arcata, CA 95521

February 7, 2018

City Manager (707) 822-5953	Police 822-2428	Recreation 822-7091
Community Development 822-5955	Finance 822-5951	Transportation 822-3775
Environmental Services Streets/Utilities 822-5957	Environmental Services Community Services 822-8184	Engineering & Building 825-2128

Humboldt County Board of Supervisors  
825 5<sup>th</sup> Street  
Eureka, Ca. 95521


Dear Chairperson Sundberg,

The City of Arcata is in support of the Humboldt Bay Municipal Water District's (HBMWD) appeal of the January 11, 2018 Planning Commission decision to recommend re-zoning for the Mercer-Fraser property (APN 504-161-010) and a special permit for a 5,000 sq. ft. cannabis extraction manufacturing facility. As the project is located just outside of Arcata's Sphere of Influence, we did not receive a project referral and, therefore, learned of the project late in the process.

Our concerns are mainly regarding the rezone from Agriculture to Heavy Industrial in such close proximity to the domestic water intakes at the Ranney collectors that supply the HBMWD, including the City of Arcata, with drinking water. The substrate there is quite porous and the vulnerable water extraction zone on the Ranney wells is not all that deep.

In our review of the record it does not appear that the zone change and special permit are in the best interest of protecting public health and safety over the long-term. Therefore, we respectfully request that the Board of Supervisors either uphold HBMWD's appeal or continue the matter so that additional information can be produced which indicates compliance with the CEQA findings required to verify that the proposed project, in its entirety, will not cause significant environmental impacts.

Performance Standards and BMPs may not be adequate to protect drinking water from industrial activities in this sensitive area. Again we support the appeal letter by the HBMWD and look forward to providing additional comments once an appeal date is set.

Sincerely,  
  
Sofia Pereira  
Mayor



# CITY OF BLUE LAKE

Post Office Box 458 • 111 Greenwood Road • Blue Lake, CA 95525

Phone 707.668.5655 Fax 707.668.5916

February 20, 2018

Humboldt County Board of Supervisors  
825 5<sup>th</sup> Street  
Eureka, CA 95501

Dear Board of Supervisors:

The Blue Lake City Council is writing this letter to express our concern, dismay and opposition to the proposed zoning change for the property owned by Mercer Fraser Company, located in the Essex area of Glendale (Planning Commission Application No. 10244, Case Nos. ZR-16-001 and SP 16-015).

The City Council discussed this project at City Council meetings held on January 23, 2018 and February 13, 2018, where numerous residents and concerned citizens voiced their strong opposition to this project and encouraged the City Council to take the necessary steps to insure that our community concerns and opposition are presented to the Board of Supervisors.

We are writing this letter to encourage you to deny this zoning change request and to take the necessary steps to insure that our community drinking water source and our river is protected from future industrial impacts. Allowing an increase in development at this site presents future impacts that are clearly too great to gamble on. In order to meet the needs of the County's General Plan we are asking that the parcel maintain its current zoning designation as Agriculture Exclusive; this zoning designation will provide protection to our drinking water source, the river and the general public.

After reviewing the proposal details, including the presentation by Mercer Fraser's consultants, it is clear to the City, and our residents, that this project has not been adequately vetted on a host of levels. The information provided to the public does not satisfy our concerns, nor does it provide any level of comfort that our river, our drinking water source or the public will be protected. The lack of adequate notification to the Humboldt Bay Municipal Water District, along with the cursory environmental analysis only serve to further our concerns and lack of confidence in this project.

Industrial uses outside of current operations have the capacity to cause far reaching damage to an already impaired watershed, as well as the potential to impact the lives of nearly 75% of the County's residents. The Mad River is home to critical habitat for Coho salmon and serves as a recreation resource for the County. Increasing industrial development in critical floodplains and areas that currently serve as recreation sites for the public presents conflicts that will have far reaching effects. The potential risk to the general public from the proposed volatile extraction facility should immediately disqualify this project from consideration.

The City of Blue Lake is asking the Board of Supervisors to deny the requested zoning change and to work with Humboldt Bay Municipal Water District and Mercer Fraser to maintain the Agriculture Exclusive designation for the parcel. We are asking you to put the needs of the greater community and our river before the needs of a single business entity.

Sincerely,

A handwritten signature in cursive script that reads "Adelene Jones". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Adelene Jones-Mayor  
City of Blue Lake



## CITY OF EUREKA

531 K Street • Eureka, California 95501-1146

SECTION H3, PAGE NO. 6  
CITY MANAGER

• (707) 441-4144  
• fax (707) 441-4138

Ryan Sundberg, Chair  
825 5th Street, Room 111  
Eureka, CA 95501

February 8, 2018

On February 6, the Eureka City Council considered the Glendale Zoning Change and Special Permit for Mercer Fraser. The city understands that in 2016, an application was submitted to the County by MCMP Humboldt, LLC to change the zoning of the site from Agriculture General (AG) to Heavy Industrial with a qualified combining zone (MH-Q). The application included a special permit to develop and operate a cannabis products manufacturing facility of approximately 5,000 square feet. County staff indicated in their staff report to the Planning Commission that the proposed zoning of the site is consistent with the County's recently adopted General Plan, which changed the land use designation for the site to Industrial Resource Related (IR). The IR land use designation was adopted in the General Plan to reflect the historic use of the site.

At the January 11, 2018 meeting of the Humboldt County Planning Commission, the special permit for the cannabis manufacturing facility at the site was approved, with conditions. One of the conditions of approval was that the zoning change must be approved by the Board of Supervisors before the special permit is effective.

On January 17, 2018, the Humboldt Bay Municipal Water District (HBMWD) met to discuss the Planning Commission approval of the MCMP project. The Board directed agency staff to appeal the Planning Commission's decision to the Board of Supervisors.

The City of Eureka shares the same concerns as HBMWD as to the long term safety of the municipal water supply that may result from a zoning change that allows Heavy Industrial use at the site. Therefore the City of Eureka supports the appeal of the Planning Commission decision to the Board of Supervisors based upon the seven factors noted in HBMWD's January 26 correspondence to the Board.

The City of Eureka respectfully requests that the Board of Supervisors deny the project, or require an EIR, Supplemental EIR, or Subsequent EIR be prepared to analyze the project's environmental impacts in a more comprehensive manner.

The City of Eureka would welcome the opportunity to be involved in discussions with county staff, HBMWD and municipal agencies, as well as MCMP to determine what additional safeguards may be put in place to ameliorate the potential hazards of the proposed project.

Sincerely,

Greg L. Sparks  
City Manager

SECTION H3 PAGE NO. 7

**FIELDBROOK GLENDALE COMMUNITY SERVICES DISTRICT**  
**P.O. BOX 2715 • MCKINLEYVILLE, CA 95519**

February 27, 2018

Mr. Ryan Sundberg  
Fifth District Supervisor  
825 Fifth Street  
Eureka, Ca 95501

RE: Support for Humboldt Bay Municipal Water District Appeal

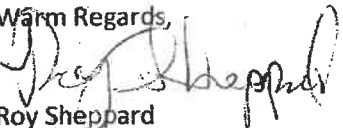
Dear Supervisor Sundberg,

I am writing today at the request of the Fieldbrook Glendale Community Services District (FGCSD) board of directors representing nearly 1,800 residents in the Fieldbrook Valley and Glendale Area. The board supports the action by the Humboldt Bay Municipal Water District (HBMWD) Board to file an appeal of the Humboldt County Planning Commission's decision to rezone Assessor's Parcel number 504-161-001 and to issue a special permit to develop and operate a cannabis products manufacturing facility.

The FGCSD board of director's is deeply concerned the rezoning and subsequent special permit has the potential to degrade or pollute the surface water drawn for industrial uses and the aquifer which supplies the drinking water for much of Humboldt County. There has been public testimony from a sister agency which calls into question whether there is sufficient evidence to make the finding that the proposed development will not be detrimental to the public health, safety and welfare, and will not be materially injurious to properties or improvements in the vicinity (Section 312-17.1.4).

We encourage you to work with the management and board of HBMWD to find an alternative to the Heavy Industrial zoning and/or that the project be additionally conditioned to address the concerns raised by HBMWD.

Warm Regards,

  
Roy Sheppard  
President  
FGCSD

Cc: Supervisor Bass  
Supervisor Bohn  
Supervisor Fennel  
Supervisor Wilson

# Humboldt Community Services District

*Dedicated to providing high quality, cost effective water and sewer service for our customers*

February 16, 2018

Humboldt County Board of Supervisors  
825 5<sup>th</sup> Street  
Eureka, CA 95501

Dear Supervisors,

On behalf of the Humboldt Community Services District, (District) I would like to express our Board's support for the review of the Humboldt Bay Municipal Water District's (HBMWD) request to appeal the Planning Commission's decision on Special Permit for Project SP-16-015 to the Board of Supervisors and support for the HBMWD's continuing efforts to protect our water supply.

Approximately two-thirds of the water that our District supplies to the more than 22,000 residents that live within our 15 square-mile District originates within the Mad River at the HBMWD facilities. Therefore, any development that has the potential to degrade the quality of this water supply is of concern to our District.

We think it is important for you to remember the high priority that a clean water source is to any community. The people that set up the HBMWD built an amazing water system for generations of Humboldt County residents to use. We encourage the County to once again place the highest priority on our region's water supply.

We only have one major water source and the public has invested millions of dollars into making it safe and reliable. We encourage the Supervisors and the Planning and Building Department to recognize the importance and necessity of this sustainable water source and ensure that any request for heavy industrial zoning or uses within heavy industrial zoning along the Mad River are conditioned to protect the long-term public health and our water supply.

Sincerely,



David Hull  
General Manager

C: Board of Directors



## Manila Community Services District

1901 Park Street • Arcata, CA 95521 • 707-444-3803 • Fax 707-444-0231

### Board of Directors

Jan Bramlett, President  
John Woolley, Vice President  
Carol VanderMeer, Finance Officer  
Carla Leopardo, Secretary  
Dendra Dengler, Safety Officer

### General Manager

Christopher Drop

February 28<sup>th</sup>, 2018

COUNTY OF HUMBOLDT  
BOARD OF SUPERVISORS  
825 FIFTH STREET  
EUREKA, CA 95501  
SUPERVISORS' CHAMBER, FIRST FLOOR

Honorable Members of the Humboldt County Board of Supervisors,

At the regular February 15, 2018 meeting of the Manila Community Services District, the Board of Directors reviewed the body of materials presented and heard from Humboldt Bay Water District representatives regarding HBMWD appeal of the Humboldt County Planning Commission decision supporting the Mercer Fraser Project. The Board voted in support of the appeal. Our agency believes re-zoning the parcel, circumscribed by our drinking water wells, from AG to Heavy Industrial is an unnecessary and risky action as enumerated below:

1. There exists a ready inventory of other County parcels posing no such threat to our water supplies and the existing activities at the site are allowable without the change in zoning.
2. There was no notice provided to the HBMWD of the proposed project which undermined the lawful process of public review and comment.
3. The proponents of the project assert that our water sources will remain protected because MCMP "...has essentially eliminated the likelihood of any impacts to water quality" by reducing the quantity of solvents. We believe decreasing the quantities of proposed carcinogens at the site does not recalibrate the likelihood of contamination.
4. The number of proposed amendments by the project proponents, in and of themselves, necessitates that a full EIR be carried out in order for a more thorough examination of the project development activities be scrutinized. Allowing re-zoning of this parcel without an EIR is a negation of the processes in place specifically to protect these resources.
5. The project is 350' from a public park where visitors to the river could potentially access the site or be exposed in a contamination event.



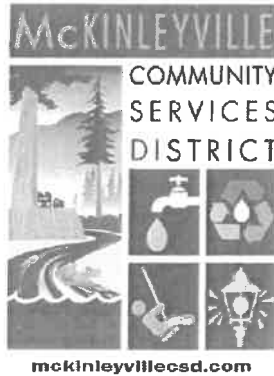
Lastly, we ask that you consider HBMWD's appeal at your earliest convenience and avoid any delays on this important matter.

Respectfully,

Janette Bramlett  
President of the Board  
Manila Community Services District  
1901 Park Street  
Manila, CA 95521  
707-444-3803

PHYSICAL ADDRESS:  
1656 SUTTER ROAD  
McKINLEYVILLE, CA 95519

MAILING ADDRESS:  
P.O. BOX 2037  
McKINLEYVILLE, CA 95519



MAIN OFFICE:  
PHONE: (707) 839-3251  
FAX: (707) 839-8456

PARKS & RECREATION OFFICE:  
PHONE: (707) 839-9003  
FAX: (707) 839-5964

February 16, 2018

Humboldt County  
Board of Supervisors  
825 5<sup>th</sup> Street, Room 111  
Eureka, CA 95501

RE: Glendale Zoning and Special Permit

Dear Board of Supervisors,

The McKinleyville Community Services District (MCSDD) Board has serious concerns with the Glendale Zoning Change and Special Permit and hope the Board of Supervisors makes the right decision. We hope Mercer Fraser and the Humboldt Bay Municipal Water District (HBMWD) are able to reach common ground on this project.

We support the appeal by the HBMWD. Risks, scope and persistence of potential environmental damage to ground water need to be carefully reviewed. Flood plan development issues should have a margin of error for toxics and the 100 year flood plain. The site desirability for rezoning should be seriously questioned.

Thank you for consideration of the HBMWD appeal and our comments.

Sincerely,

David R. Couch  
Board President

**From:** Wilson, Mike <Mike.Wilson@co.humboldt.ca.us>  
**Sent:** Wednesday, February 28, 2018 1:45 PM  
**To:** Wilson, Mike  
**Subject:** Mercer Frazer Project

Hello,

Thank you for your email regarding the proposed Mercer Frazer project and rezoning. I am writing to let you know that the Humboldt Bay Municipal Water District has appealed the decision by the Planning Commission.

I assure you that I share many of the concerns expressed regarding the protection of our drinking water and the Mad River. This project has raised numerous zoning, land use, public safety and General Plan policy issues and has also focused increased interest on how we manage our watersheds and floodplains near such important water resources.

Currently the next step in the process is for the Board of Supervisors to hear this appeal. I am told that Mercer Fraser has been meeting with the Humboldt Bay Municipal Water District in an attempt to address their concerns. This item will not be scheduled until these discussions have been completed. As of this date there has been no time set for the Board of Supervisors to discuss this item. I will let you know if and when this item is planned to come before our board.

In the meantime, if you have additional comments or questions regarding the project or the appeal process please feel free to also contact our Planning Director, John Ford ([jford@co.humboldt.ca.us](mailto:jford@co.humboldt.ca.us)).

Due to the volume of communication I have received regarding this issue I have added your email address to a group list so that I can effectively let you know about anything new.

Thank you for your continued interest in and concern for our community.

Mike

Mike Wilson P.E.  
Supervisor, District 3  
County of Humboldt  
825 5<sup>th</sup> Street  
Eureka, CA 95501  
707.476.2393

*Times Standard**February 27, 2018**Mad River Union  
2/28/18*

## Letters to the editor

### Keep an eye on supes' campaign coffers

"There may be no bigger issue brought to the Planning Commission this year that deals with public health and welfare".

That quote is from Humboldt Bay Water District General Manager John Friedenbach. He's referring to the rezoning of Mad and Trinity River-adjacent properties owned by Mercer-Fraser, the local company that wants to open hash labs on these sites. The problem is that these properties are upstream from where most of us get our drinking water.

Mercer-Fraser is best known for their support of the development industry. The four Humboldt County Supervisors who appointed the planning commissioners that signed off on this, and who themselves voted to approved this absurdly reckless plan, are funded by de-

velopers in general. But each of these supervisors — Ryan Sundberg, Virginia Bass, Estelle Fennel and Rex Bohn have taken multiple donations from developers and others who are likely to profit from these projects.

Apparently the safety of the drinking water of tens of thousands of their constituents is of less value to these supes than the thousands of dollars that industry will donate to fill their campaign coffers.

The Times-Standard did a good job addressing concerns about the safety of our drinking water in last Sunday's editorial ("Whom do you trust with your drinking water?", Feb. 18, Page A4). What we need now is for reporting that follows the money that's responsible for this outrage.

Elections are coming. How important is the safety of your drinking water?

*Richard Salzman, Arcata*

## If you care about your water, keep your eyes open

Tuesday, February 20, 2018

By Larry Glass

The editorial “Whom do you trust with your drinking water?” (Times-Standard, Feb. 18, Page A4) encouraged its readers to “examine the facts” themselves regarding the proposed Mercer Fraser zoning change to Heavy Industrial at its gravel mine on a Glendale river bar adjacent to the Mad River. This project recently was greenlighted by the county Planning Commission to allow the construction of a concentrated cannabis manufacturing plant at the site which, as approved, allows use of acetone and heptane, among other chemical solvents, in unlimited quantities, on the basis that it is the same kind of “resource related industrial use” as gravel extraction.

The readers of the Times-Standard rely on it to accurately provide them facts about proposals like this. However, in discussing the project, your editorial misstated some key facts. For example:

1. Of concern to the Northcoast Environmental Center (NEC), is that the editorial neglected to inform Times-Standard readers that the proposed cannabis manufacturing facility would not even be run necessarily by Mercer Fraser or even the applicant, MCMP Humboldt, LLC, but instead, operated by an unknown third party operator.
2. The editorial stated that the chemical solvents which the Planning Commission approved to be used to manufacture concentrated cannabis at the site were “under discussion for use.” These chemical solvents include: acetone, heptane, ethanol, butane, propane and isopropyl alcohol. However, we understand that the Revised Conditions of Approval do not prohibit usage of any chemical solvent at the site. Accordingly, the Revised Conditions of Approval (which we understand is being appealed by the Humboldt Bay Municipal Water District) explicitly allows all of these solvents — some of which are potent carcinogens — to be delivered, unloaded, stored, used and then removed from the site as waste in unlimited quantities. Characterizing these chemicals as “under discussion for use” is misleading, insofar as that discussion was had by the Planning Commission on Jan. 11, and following that discussion, the Revised Conditions of Approval set forth that any chemical solvent may be used in unlimited quantities in a “closed loop system,” despite Jeff Smith’s statement at that commission hearing that acetone and heptane would be stricken from the list, as the NEC referred to in our previous My Word, “Reckless cannabis proposal could pose threat to life and health” (Times-Standard, Feb. 3, Page A4). That was a pledge that was not kept.

The editorial says that Mercer Fraser’s current gravel operation has a 30,000 gallon diesel storage tank on site. We believe this to be incorrect. We’ve been informed that the tank was removed several years ago. Above ground observation from behind their fence shows a tank estimated to be about 500 gallons. According to the County Office of Environmental Health, Mercer Fraser’s permitted aggregate above ground oil storage capacity must be less than 1,320 gallons.

One of the most concerning aspects of this proposal is the lack of a complete environmental review (EIR) that should include a risk assessment. In their rush to approve, the applicant and the county failed to provide notice to the Humboldt Bay Municipal Water District (HBMWD), who operates three wells within hundreds of feet of the proposed facility. These wells provide drinking water to most of Humboldt County’s residents. Even assuming that the Board of Supervisors removes acetone and heptane from the list of approved chemical solvents, who can tell us what would be the effect on a drinking water well intake in close proximity of a 55 gallon drum of ethanol (closely related to gasoline) that ruptured in an accident or mishap in the unloading process, or even worse, a drum of waste chemical doing the same as it was being removed from the site? That question was not asked by Planning Commission staff prior to its recommended approval of this project, and without a proper stand-alone Environmental Impact Report with a risk assessment, it cannot be answered.

Readers, if you care about the quality and safety of your drinking water, watch for the appeal hearing to come before the Board of Supervisors sometime in March and be sure to call your supervisor and/or attend the meeting.

*Larry Glass is executive director of the Northcoast Environmental Center.*

URL: <http://www.times-standard.com/opinion/20180220/if-you-care-about-your-water-keep-your-eyes-open>

© 2018 Eureka Times-Standard (<http://www.times-standard.com>)

## Whom do you trust with your drinking water?

Saturday, February 17, 2018

The Times-Standard

Should your Humboldt County Board of Supervisors allow the Mercer Fraser Co. to build a cannabis manufacturing facility along the Mad River in Glendale?

Well, whom do you trust?

Proponents and county staff say rezoning the site from “agriculture general” to “qualified heavy industrial” to permit the project poses little to no threat to the neighboring Humboldt Bay Municipal Water District source water intake.

Opponents — including the water district, which adamantly opposes the rezoning — fear rezoning the site for heavy industrial use may jeopardize the water supply it provides to 88,000 people, two-thirds of Humboldt County’s population.

Those some are fear-inducing numbers. Fear can cripple us in some instances and preserve us in others.

How useful is fear in this instance? Does allowing a heavy industrial site on the river sound like a good idea?

Well.

Mercer Fraser already has a gravel extraction operation on site that’s been running since the 1960s. County staff have said in a report that the site’s existing use is considerably more intensive than the proposed new use. And Mercer-Fraser’s current gravel operation has a 30,000 gallon diesel storage tank on site.

Contrast this with the list of chemicals under discussion for use at the proposed site: butane, propane, carbon dioxide, ethanol, rubbing alcohol, acetone and heptane. The Humboldt County Planning Commission has limited Mercer-Fraser from storing more than 50 gallons of alcohol on the property, and the company’s said it’s limiting each of the other solvents to 55 gallons each.

Mercer-Fraser’s attorney assures the public that state and local regulations governing cannabis concentrate manufacturing are sufficiently strict:

Perhaps they are.

Perhaps this will all work out flawlessly and we’re wasting everyone’s time fanning ourselves into a fearful frenzy. We’re not here today to tell Mercer-Fraser to go pound gravel.

Then again, neither are many opponents of the proposed rezoning, who have taken care to focus their concerns not on the present, but on the future: Who knows what else may be approved for use on the parcel once it’s rezoned?

This is the heart of the opposition’s argument. Mercer-Fraser and the state and the local government could do a great job today, but once the door’s opened, others may fall short tomorrow. And if something goes wrong, the river isn’t going to clean itself. Our drinking water isn’t going to clean itself.

We’re no scientists, but these are serious questions. We encourage you examine the facts yourselves and take them up with your Board of Supervisors.

URL: <http://www.times-standard.com/opinion/20180217/whom-do-you-trust-with-your-drinking-water>

© 2018 Eureka Times-Standard (<http://www.times-standard.com>)

*Times Standard*  
*2/22/2018*

**Manufacturing on Mad River needs complete EIR**

In his "My Word" ("If you care about your water, keep your eyes open," Times-Standard, Feb. 21, Page A4), Larry Glass clarified and corrected the information previously set forth by the Times-Standard and Humboldt County Planning Commission about the proposed Mercer Fraser cannabis manufacturing plant on the Mad River.

Rather than approval being fast-tracked, this proposal needs an accurate, complete planning and Environmental Impact Review, as it is an entirely different type of use than gravel mining. Mr. Glass listed the dangerous chemicals that would be transported and used there.

I am deeply concerned that this proposal would be situated on the river, in the flood plain next to the Humboldt Bay Municipal Water District's three wells. Spills or floods could impact the quality of the main source of our area's drinking water, and the health of our citizens.

Thank you to Mr. Glass for summarizing the true nature and status of this plan. I expect our county leaders to consider all factors in this mercenary proposal before approving it.

*Teresa MacClelland, Eureka*

## Seven cities, districts support Mercer-Fraser cannabis project appeal

Mercer-Fraser CEO says they are 'absolutely open' to discussions with stakeholders

By Will Houston, Eureka Times-Standard

Wednesday, February 21, 2018



Seven cities and community services districts have backed the Humboldt Bay Municipal Water District's appeal of a controversial Mercer-Fraser Company project that seeks to build a cannabis manufacturing facility along the Mad River near Glendale.

The water district is appealing the Humboldt County Planning Commission's [January approval of the project](#), claiming it has the potential of contaminating drinking water for 88,000 county residents because of its proximity to one of the district's water pumps on the Mad River.

This month, the boards and city councils for all seven of the water district's municipal customers — Eureka, Arcata, Blue Lake, and the McKinleyville, Manila, Fieldbrook-Glendale and Humboldt community services districts — voted to support the appeal.

"It shows that 100 percent of our customers are concerned about the issue," Humboldt Bay Municipal Water District General Manager John Friedenbach said Wednesday, "and that they're concerned about the quality of the water supply for the constituents and that it's a serious issue for the Board of Supervisors to consider."

When the appeal will go before the Board of Supervisors is up in the air. County Planning and Building Director John Ford said that there is no date set for the appeal.

"I think that there is a desire by the water district and Mercer-Fraser to meet and try to work things out," Ford said Wednesday. "I don't want to circumvent that process. We're just waiting for that to play out. It will be interesting to see how things progress."

Mercer-Fraser Company has amended the project's operations plans in an attempt to address the water district's concerns, but the district is proceeding with its appeal.

Mercer-Fraser Company president and CEO Justin Zabel said Wednesday that they "are absolutely open to continued meetings and an open dialogue with the district and other stakeholders."

"We are unsure at this time whether additional changes to the proposed project are warranted, as we do not fully understand the specific concerns of the District with respect to the operations plan," Zabel wrote in an email to the Times-Standard.

### The lone 'no' vote

Of all the elected officials from the seven city councils and community services districts that purchase water from Humboldt Bay Municipal Water District, Frank Scolari was the only public official to cast a "no" vote regarding the appeal.

At the Humboldt Community Services District Board of Directors' Feb. 13 meeting, Scolari voted against a motion to send a letter calling on the Board of Supervisors to review the appeal.

Reached Wednesday, Scolari said he fully supports the appeal and only voted against the motion because it included other requests that he felt overstepped their district's purview.

These requests included calling for the county review all heavy industrial zoned properties along the Mad River to ensure there are no other activities that may threaten public drinking water and to require any permitted projects near a public water source to protect public health, safety and water quality.

"It should have been 10 minutes and we should have been out of there," Scolari said about the meeting. "Instead it took an hour to get this stupid motion approved."

Scolari said he has no issues with the letter that the district ultimately sent to the county Feb. 16.

"We're basically all in favor of the appeal," district board member Dave Saunderson said Wednesday.

Alan Bongio sits on both the county Planning Commission and the Humboldt Community Services District Board of Directors. Bongio abstained from voting on the project during the planning commission meeting in January and again at the board of director's Feb. 13 meeting, but did not state why during both meetings.

Reached Wednesday, Bongio told the Times-Standard he voted to abstain because he didn't want anybody to accuse him of being unfair. Despite this, Bongio said the reaction to his abstentions by some in the community has been negative.

"I abstained to avoid any conflict. Period," Bongio said Wednesday.



Asked to clarify whether he would have had a conflict of interest if he voted on the project, Bongio said there would have been no conflict.

Ultimately, the district voted 3-1-1 to approve the letter.

#### The project

Mercer-Fraser Company is seeking to construct a 5,000-square-foot facility at 90 Glendale Drive that would manufacture cannabis concentrates and edibles using volatile extraction methods in a closed-loop system. The company is applying for the project under the name MCMP LLC. The facility would be built on property the company is already using for gravel mining.

Responding to the Humboldt Bay Municipal Water District's concerns in a late January letter, the company stated it has limited the amount of solvents that can be stored at the site.

"Based on the voluntary limitation of the types and quantities of solvents used in the manufacturing process, the nature of the closed-loop extraction system, and other project changes," Mercer-Fraser Company vice president Mark Benzinger wrote to the water district, "MCMP has further decreased, and essentially eliminated, the likelihood of any impacts to water quality."

Benzinger wrote the company plans to use butane, carbon dioxide, ethanol and isopropanol — commonly known as rubbing alcohol — for its extraction operations. The planning commission limited the company from storing more than 50 gallons of alcohol on the property. Benzinger wrote that they are self-imposing a limit of 55 gallons for each of the solvents.

One of the main concerns by Humboldt Bay Municipal Water District officials is not the cannabis facility, but a proposed zoning change on the property that must be made in order for it to be built.

The county must change the zoning classification on the parcel from "agriculture general" to "qualified heavy industrial." Friedenbach said this change would potentially allow for other types of industrial uses to move onto the property.

Ford previously said the recently approved county General Plan already mandates this zoning change be made because the plan changed that property's land-use designation. Should the zoning be changed, Ford previously said the new zoning would require any other types of uses on that property to obtain a conditional use permit, which requires a public hearing.

Zabel said the new "qualified heavy industrial" zoning would also include "restrictive performance standards that include prohibiting approval of uses that would adversely affect ground or surface waters."

"Specifically, the Planning Commission recommended land use restrictions limiting the property's permitted uses to only those current and historical uses consistent with what has occurred onsite for approximately 100 years," Zabel said.

In a [Feb. 13 letter responding to Benzinger](#), Friedenbach wrote that there are other zoning possibilities the county could use for that parcel. Friedenbach specifically said an "agriculture exclusive," or AE, zoning classification that would allow to company to continue its "current operations."

"In the interest of protecting the environment and the public health and welfare for the drinking water of [two-thirds] of the county's population, and given the overwhelming public protest over siting this project on the Glendale property, our board can only support the AE zone which would not expand any industrial activity at the proposed site," Friedenbach wrote.

Zabel said the current proposal to zone the property as qualified heavy industrial is appropriate and that the change is mandated.

"The proposed Qualified Heavy Industrial (MH-Q) zoning classification was chosen as it is consistent with the site's historical and current heavy industrial uses and the new General Plan land use designation for the site," Zabel wrote.

*Will Houston can be reached at 707-441-0504.*

URL: <http://www.times-standard.com/general-news/20180221/seven-cities-districts-support-mercier-fraser-cannabis-project-appeal>

© 2018 Eureka Times-Standard (<http://www.times-standard.com>)

❖ **GLENDALE REZONE**

# MCS D takes vague stand on pot factory

**Jack Durham**  
MAD RIVER UNION

**McKINLEYVILLE/GLENDALE** — McKinleyville's town board has weighed in on a controversial county decision to rezone riverfront property in Glendale to heavy industrial and to permit a 5,000-square-foot cannabis manufacturing factory at the site.

The McKinleyville Community Services District Board of Directors convened Feb. 7 to consider backing an appeal filed with the county by Humboldt Bay Municipal Water District (HBMWD), which wants to overturn the Planning Commission's Jan. 11 approval of the zoning change and special permit.

The cannabis extraction factory would be located on riverfront property at 90 Glendale Dr. west of Blue Lake. The property is across the river from HBMWD's pump station park and between two extraction wells, which provide drinking water to 88,000 customers in McKinleyville, Arcata, Eureka, Blue Lake, Glendale, Cut-



**John Friedenbach**

ten, Manila and the Samoa Peninsula. McKinleyville is the district's third largest customer.

Members of the HBMWD Board of Directors are concerned that the factory could potentially contaminate the river and the aquifer below, from which the district pumps all of its water. District officials are even more concerned about the county's effort to change of the zoning of the property from agricultural exclusive to heavy industrial.

### 'Heavy industrial uses'

HBMWD Director Sheri Woo addressed the McKinleyville board following its discussion about a "Succession Plan," during which directors spoke about planning for various disasters that could befall staff and the board.

"We did just hear about worries and risks and emergencies and what happens and that is kind of what we're talking about here," Woo said. "Rezoning that property to heavy industrial will increase risks."

**GLENDALE ❖ A6**

# Glendale | Supervisors urged to 'make the right decision'

## ❖ FROM A1

HBMWWD General Manager John Friedenbach said the district is negotiating with the property owner, Mercer Fraser, and MCMP LLC, which would operate the factory. Friedenbach said he wants to make sure that if the factory ultimately opens, that precautions are taken to protect the water supply.

But, Friedenbach said, "this is a bigger issue than just the current project."

The change of zoning "opens up that parcel to many different heavy industrial uses that could affect the water quality now and into the future," Friedenbach told the McKinleyville board.

### 'That's not true'

Humboldt County Planning Director John Ford refuted that claim.

"A lot of people talk about the fact that it opens up all kinds of industrial uses. That's not true," Ford said.

The property has two zones on it - general industrial and a Q zone, Ford said. This "limits the zoning to resource related industrial uses," he said. Also, any such uses have to obtain a use permit from the county, a process which allows the county to place re-

strictions on an operation. Ford said the Planning Commission "did attempt to include measures that would protect the water quality.... Some of those include performance standards within the Q zones that prohibit uses that would damage either surface water or groundwater quality."

"I know there is concern to protect the water quality. Nobody wants to see that damaged," Ford said. "I just would say that there is a lot of sensationalism surrounding this."

### Too risky?

However, those who spoke at the MCSD meeting were all against the rezoning and the cannabis factory location.

"It seems like doing this adds risks," said McKinleyville resident Jeff Dunk. "My perception of it is, there's a potential for a small-scale private benefit and a large-scale public risk."

McKinleyville resident Ross Taylor, a fisheries biologist, said he was concerned about locating the factory in a flood plain, just a mere two feet above the 100-year-flood level.

"An accident, flood or earthquake could result in the contamination

of the sole water supply for 80,000 residents in McKinleyville, Arcata and Eureka," Taylor said. "While I acknowledge that the chance of a spill or an accident is probably low, the consequences of a spill or contamination greatly outweigh the benefit."

MCSD Director Mary Burke said she supported the district's appeal and questioned the zoning change.

"Is the flood plain the best location for heavy industrial use?" Burke said.

Director George Wheeler also spoke in favor of the appeal. "If we can't draw the line where we draw out water, where can we?" Wheeler said.

Wheeler also questioned why the cannabis factory was being allowed so close to a park. "We wouldn't allow this next to a school, but we will allow it next to a park?" Wheeler said.

"They should be sited in a place that is more appropriate," said Board President David Couch.

### Vague motion

Director Dennis Mayo was also supportive of the appeal and made a motion to send a letter of support to the district. "Let the big boys fight it out," Mayo said.

But before the board could vote on the motion, Director John Corbett suggested alternative language, and Mayo agreed to drop his motion and let Corbett take a stab at it.

Corbett provided an unusually wordy, multi-sentence motion that was vague and didn't stake out much of a position other than to say that the board had "concerns."

"The motion is not very clear and there's no real direction," MCSD Manager Greg Orsini said to the board.

Corbett asked that the board take a five-minute break so he could rewrite the motion.

Corbett scribbled away as audience members noshed on chocolate chip cookies and gazed at their mobile devices

When the board reconvened, the new motion was also vague with regard to the board's actual position on the subject.

"I move, the McKinleyville Community Services District write a letter to the Humboldt County Board of Supervisors. The letter should read as follows: The McKinleyville Community Services District board has serious concerns with the Glendale

zoning change and special permit and hope the Board of Supervisors makes the right decision," Corbett said, reading his motion. "We hope Mercer Fraser and the water district are able to reach common ground on this project. We urge the board to review the appeal by the Humboldt Bay Municipal Water District. Risks, the scope and persistence of potential environmental damage to groundwater need to be carefully reviewed. Flood plain development issues should have a margin of error for toxics and the 100-year flood plain. The site desirability for rezoning should be seriously questioned. Thank you for consideration of the Humboldt Bay Municipal Water District appeal and our comments."

The McKinleyville board voted unanimously in favor of Corbett's motion.

Humboldt Bay Keeper  
2/14/18

## Latest

# Humboldt CSD supports Humboldt Bay Municipal Water District's appeal of Mercer-Fraser project on Mad River (/news/latest/1226-humboldt-csd-supports-humboldt-bay-municipal-water-district-s-appeal-of-mercer-fraser-project-on-mad-river)

HBK Latest (/News/Latest) Last Updated: 14 February 2018



Last night, the Humboldt Community Services District (<http://humboldtcsd.org>) voted 3-1 (with Frank Scolari opposed and Alan Bongio abstaining) to support an appeal by the Humboldt Bay Municipal Water District of a zoning change adjacent to the Mad River that would allow a cannabis manufacturing plant near the wells that supply drinking water to 88,000 residents. HCSD purchases drinking water from the HBMWD, and distributes it to customers in Cutten, Mitchell Heights, and other neighborhoods just outside Eureka city limits. HCSD is the fifth drinking water supplier to support the appeal, following Eureka, Arcata, Blue Lake, and the McKinleyville Community Services District.

Manila and Fieldbrook also receive drinking water from the Mad River.

In asking for the letter of support, HBMWD director Bruce Rupp, who represents the Cutten area, said allowing "that kind of zoning next to a water source does not make sense."

HCSD director Alan Bongio, a building contractor who also sits on the Humboldt County Planning Commission, said he would abstain from voting on the matter with no explanation of his apparent conflict, which may require recusal. Bongio also abstained from the Planning Commission vote on the project, along with At-Large Commissioner Brian Mitchell.

The HCSD vote was less than enthusiastic. HCSD director Gregg Gardiner, who is up for re-election this year, said the applicant - paving contractor and gravel company Mercer-Fraser - is a "community-minded organization" and said he wants to know if there is a history of community water supplies being damaged by heavy industry that would support the HBMWD's concerns.

HCSD President David Tyson said there will be a lot of projects in the Mad River basin in the future, and said he is concerned the district is on a slippery slope by taking a position. He said it would behoove the district to study uses in the Mad River drainage.

Next (/news/latest/1225-eureka-city-council-opposes-rezoning-of-mercer-fraser-site-for-cannabis-facility)

Search ...Q

### Current Projects

[Mercury Assessment \(/mercury-assessment\)](#)

[Sea Level Rise \(/climate-change-impacts-sea-level-rise\)](#)

[Dredging \(/dredging\)](#)

[Billboards on the Bay \(/billboards-on-the-bay\)](#)

[101 Corridor \(/101-corridor\)](#)

[Advocacy in Action \(/advocacy-in-action\)](#)

[Our Supporters \(/our-supporters\)](#)

## KRCR NEWS

## Cannabis manufacturing facility proposed to be placed near elementary school

by Alexandria Hasenstab  
Wednesday, February 14th 2018



*Students at Trinity Valley Elementary School display concern over proposed cannabis manufacturing facility*

WILLOW CREEK, Calif. — For the past few years, local company Mercer Fraser has been going to the permitting process to build a cannabis manufacturing facility on land they own near Highway 96 in Willow Creek. The land is across the road from Trinity Valley Elementary School. This is a concern for parents, like Vivienna Orcutt.

"I don't know how we would evacuate the children, the safety of our children, it's very worrisome," Orcutt said. "Our children are scared but our community is in an uproar over that. "

Orcutt is a tribal council member with the Hoopa Valley Tribe. Hoopa is just up the highway from the proposed site.

"The Humboldt County Board of Supervisors and the Planning Commission have not had a transparent process with the Hoopa Valley Tribe on the permitting process," Orcutt said.

The site also sits along the Trinity River which supplies water to Willow Creek and the nearly 4,000 people who live in Hoopa, according to Hoopa Valley Public Utilities general manager, Filmore Harvey.

"We have a duty to protect the tribe's water supply," Harvey said. "You hear a hash lab, everyone thinks butane, whatever chemicals are going to be used, and if there was a spill or an explosion what measures are going to be taken to protect the tribe's water supply?"

But Humboldt County District 5 supervisor, Ryan Sundberg, said there are heavy regulations on manufacturing facilities that protect the surrounding area.

"It's very unassuming," Sundberg said. "And they can only use gases, so if there was a spill, it would go up in the air, not into the drinking water."

On Dec. 14, the county planning and building commission voted to rezone the land, from highway service commercial use to heavy industrial use.

"Mercer-Fraser Co. has used that property for decades as concrete and asphalt production and also resource extraction from gravel, so the rezoning is making it consistent with what the uses are," Sundberg said.

This rezoning opens up the land to be used for marijuana manufacturing. However, Sundberg said that it will be a lengthy process before the facility would be permitted to be built.

"They still have to go through state permitting," Sundberg said.

The Hoopa Valley Tribe has expressed that they hope the county will prevent the facility from being permitted.

"I don't think it's fair that the Humboldt County Board of Supervisors asked the most innocent residents of Humboldt County, which are our children, to coexist with a combustible hash lab like across the street," Orcutt said.

## **Board of Supervisors — protect our drinking water!**

Saturday, February 10, 2018

Like the more than 80,000 Humboldt Co. residents who receive their tap water from the Humboldt Bay Municipal Water District's system, until recently concern about the reliability and quality of my household's tap water is something that not even remotely enters my consciousness.

Now, Mercer Fraser wants to build and operate a pot extraction factory just upstream of HBMWD's intake and pumping station and is seeking zoning changes and permits from the County.

HBMWD's concern about the threat posed by this project to our water supply has been clear and unequivocal — it poses an unacceptable risk.

In the past year or so we've seen disturbing, heartrending images of households in Flint, Houston, Louisiana and Puerto Rico grappling with contaminated drinking water and the struggle to obtain enough bottled water to get them through another day. Keep this imagery in mind — this would be OUR hellacious fate were our drinking water to become contaminated.

The MF project has many alternative site options.

The HBMWD has just one source — the intake and pumping site on the Mad River. In HBMWD's judgment, the MF property immediately upstream and in the 100 year floodplain is NOT an acceptable site. I wholeheartedly agree.

For HBMWD's customers anything less than NO RISK is unacceptable. Any actions by the Board of Supervisors that allow this project to move forward will be correctly viewed as an outrageous and blatant failure to represent the public's best interests.

*Jud Ellinwood, Eureka*

URL: <http://www.times-standard.com/opinion/20180210/board-of-supervisors-protect-our-drinking-water>

© 2018 Eureka Times-Standard (<http://www.times-standard.com>)

To: Board of Directors

From: Chris Harris

Date: March 8, 2018

Re: Public Agency Retirement Services (PARS) Agreement for Administrative Services  
And Adoption Agreement for Post-Employment Section 115 Trust

**General**

As discussed during the February 8<sup>th</sup> Board Meeting, included are the final agreements for the PARS Trust being established for the purpose of restricting and dedicating District funds to pre-fund the CalPERS Unfunded Pension Liability.

The Board reviewed *DRAFT* documents previously. These are the final, signature ready agreements. There have been no substantial changes since the Board last reviewed these documents.

**Recommendation**

Staff recommends Board approves completion and signing of all agreements for the PARS Trust.



## AGREEMENT FOR ADMINISTRATIVE SERVICES

This agreement ("Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2018, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services and PARS (hereinafter "PARS") and the Humboldt Bay Municipal Water District ("Agency").

WHEREAS, the Agency has adopted the PARS Public Agencies Post-Employment Benefits Trust for the purpose of pre-funding pension obligations and/or OPEB obligations ("Plan"), and is desirous of retaining PARS as Trust Administrator to the Trust, to provide administrative services.

NOW THEREFORE, the parties agree:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as "Exhibit 1A" ("Services") in a timely manner, subject to the further provisions of this Agreement.
2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as "Exhibit 1B".
3. **Payment Terms.** Payment for the Services will be remitted directly from Plan assets unless the Agency chooses to make payment directly to PARS. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.
4. **Fees for Services Beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS' standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with a detailed description of the services, terms, and applicable rates for such services. Such services, terms, and applicable rates shall be agreed upon in writing and executed by both parties.
5. **Information Furnished to PARS.** PARS will provide the Services contingent upon the Agency's providing PARS the information specified in the exhibit attached hereto as "Exhibit 1C" ("Data"). It shall be the responsibility of the Agency to certify the accuracy, content and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1A, PARS shall be under no duty to question Data received from the Agency, to compute contributions made to the

Plan, to determine or inquire whether contributions are adequate to meet and discharge liabilities under the Plan, or to determine or inquire whether contributions made to the Plan are in compliance with the Plan or applicable law. In addition, PARS shall not be liable for non performance of Services to the extent such non performance is caused by or results from erroneous and/or late delivery of Data from the Agency. In the event that the Agency fails to provide Data in a complete, accurate and timely manner and pursuant to the specifications in Exhibit 1C, PARS reserves the right, notwithstanding the further provisions of this Agreement, to terminate this Agreement upon no less than ninety (90) days written notice to the Agency.

6. **Records.** Throughout the duration of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of Agency access to all records and material relating to calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.
7. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency, subject to applicable law, and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.
8. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation and similar matters.
9. **Indemnification.** PARS and Agency hereby indemnify each other and hold the other harmless, including their respective officers, directors, employees, agents and attorneys, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of, to the extent, PARS' or Agency's, as the case may be, negligent acts, errors or omissions with respect to the performance of their respective duties hereunder.
10. **Compliance with Applicable Law.** The Agency shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan. PARS shall observe and comply with federal, state and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.

- 11. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.
- 12. **Force Majeure.** When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by such cause, including but not limited to: any incidence of fire, flood, acts of God, acts of terrorism or war, commandeering of material, products, plants or facilities by the federal, state or local government, or a material act or omission by the other party.
- 13. **Ownership of Reports and Documents.** The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to, and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.
- 14. **Designees.** The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Body of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.
- 15. **Notices.** All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:
  - (A) To PARS: PARS; 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660; Attention: President
  - (B) To Agency: Humboldt Bay Municipal Water District; 828 Seventh Street, Eureka CA, 95501; Attention: General ManagerNotices shall be deemed given on the date received by the addressee.
- 16. **Term of Agreement.** This Agreement shall remain in effect for the period beginning February 8, 2018 and ending February 7, 2021 ("Term"). This Agreement may be terminated at any time by giving thirty (30) days written notice to the other party of the intent to terminate. Absent a thirty (30) day written notice to the other party of the intent to terminate, this Agreement will continue unchanged for successive twelve month periods following the Term.
- 17. **Amendment.** This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.
- 18. **Entire Agreement.** This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement.

In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.

- 19. **Attorneys Fees.** In the event any action is taken by a party hereto to enforce the terms of this Agreement the prevailing party herein shall be entitled to receive its reasonable attorney's fees.
- 20. **Counterparts.** This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.
- 21. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
- 22. **Effective Date.** This Agreement shall be effective on the date first above written, and also shall be the date the Agreement is executed.

**AGENCY:**

BY: John Friedenbach

TITLE: General Manager

DATE: \_\_\_\_\_

**PARS:**

BY: Tod Hammeras

TITLE: Chief Financial Officer

DATE: \_\_\_\_\_

EXHIBIT 1A  
SERVICES

PARS will provide the following services for the Humboldt Bay Municipal Water District Public Agencies Post-Employment Benefits Trust:

1. Plan Installation Services:
  - (A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions;
  - (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;
  - (C) Providing the documentation needed to establish the Plan to be reviewed and approved by Agency legal counsel. Resulting final Plan documentation must be approved by the Agency prior to the commencement of PARS Plan Administration Services outlined in Exhibit 1A, paragraph 2 below.
2. Plan Administration Services:
  - (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Public Agencies Post-Employment Benefits Trust ("Trustee"), based upon information received from the Agency and the Trustee;
  - (B) Performing periodic accounting of Plan assets, reimbursements/distributions, and investment activity, based upon information received from the Agency and/or Trustee;
  - (C) Coordinating the processing of distribution payments pursuant to authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;
  - (D) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope this Agreement;
  - (E) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;
  - (F) Preparing and submitting an annual report of Plan activity to the Agency;
  - (G) Facilitating actuarial valuation updates and funding modifications for compliance with GASB 45/75, if prefunding OPEB obligations;
  - (H) Coordinating periodic audits of the Trust;
  - (I) Monitoring Plan and Trust compliance with federal and state laws.
3. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.

EXHIBIT 1B  
FEES FOR SERVICES

PARS will be compensated for performance of Services, as described in Exhibit 1A based upon the following schedule:

An annual asset fee shall be paid from Plan assets based on the following schedule:

<u>For Plan Assets from:</u>			<u>Annual Rate:</u>
\$0	to	\$10,000,000	0.25%
\$10,000,001	to	\$15,000,000	0.20%
\$15,000,001	to	\$50,000,000	0.15%
\$50,000,001	and	above	0.10%

Annual rates are prorated and paid monthly. The annual asset fee shall be calculated by the following formula [Annual rate divided by 12 (months of the year) multiplied by the Plan asset balance at the end of the month]. Trustee and Investment Management Fees are not included.

EXHIBIT 1C  
DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information:

1. Executed Legal Documents:
  - (A) Certified Resolution
  - (B) Adoption Agreement to the Public Agencies Post-Employment Benefits Trust
  - (C) Trustee Investment Forms
  
2. Contribution – completed Contribution Transmittal Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
  - (A) Agency name
  - (B) Contribution amount
  - (C) Contribution date
  - (D) Contribution method (Check, ACH, Wire)
  
3. Distribution – completed Payment Reimbursement/Distribution Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
  - (A) Agency name
  - (B) Payment reimbursement/distribution amount
  - (C) Applicable statement date
  - (D) Copy of applicable premium, claim, statement, warrant, and/or administrative expense evidencing payment
  - (E) Signed certification of reimbursement/distribution from the Plan Administrator (or authorized Designee)
  
4. Other information pertinent to the Services as reasonably requested by PARS and Actuarial Provider.

ADOPTION AGREEMENT  
for the  
POST-EMPLOYMENT SECTION 115 TRUST

A.1.1. Trust agreement with U.S. Bank National Association (the "Bank") (the "Trust Agreement"):

Post-Employment Section 115 Trust. Public Agencies Post-Employment Benefits--Trust Agreement, effective November 5, 2014

A.1.2. OPEB Plan: Public Agencies Post-Employment Health Care Plan

The plan document for the OPEB Plan is the Public Agencies Post-Employment Health Care Plan—Master Plan Document, effective as of November 5, 2014 (the "Plan Document").

A.1.3. Pension Plan: \_\_\_\_\_  
\_\_\_\_\_

A.1.4. Pension Plan's effective date: \_\_\_\_\_

(Check if applicable) Additional Pension Plans (and their respective effective dates) are listed on an exhibit attached hereto.

A.2.1. Employer:

Name: Humboldt Bay Municipal Water District

U.S. mail address: 828 Seventh Street, Eureka, CA 95501

Phone number: (707) 443-5018

EIN: 94-6050067

Fiscal year end: June 30

A.2.2. Plan Administrator:

Position at Employer: General Manager

Incumbent: John Friedenbach

U.S. mail address: 828 Seventh Street, Eureka, CA 95501

Phone number: (707) 443-5018

Email address: friedenbach@hbmwd.com



A.3.1 **Adoption.** The Employer hereby:

A.3.1.1. Adopts the Trust Agreement as part of the (*Check one or both of the following boxes.*):

- OPEB Plan
- Pension Plan

(each such plan separately, the "Plan") and agrees to be bound by the Trust Agreement's terms, effective as of the Employer's signature date below and subject to the investment approach selected below.

A.3.1.2. *The following provisions apply if and only if the **OPEB Plan** box above is checked:* (i) Adopts the Plan Document and agrees to be bound by the Plan Document's terms, effective as of the Employer's signature date below and (ii) acknowledges that the determination of Eligible Employees and Eligible Beneficiaries is finally and conclusively made by the Employer according to the Employer's applicable policies and collective bargaining agreements and without reference to the Trust Agreement.

A.3.1.3. Ratifies, affirms, and approves Employer's appointment of Phase II Systems as Trust Administrator and represents and warrants that attached hereto is a fully-executed original of Employer's Agreement for Administrative Services with Phase II Systems, d/b/a Public Agency Retirement Services (PARS).

A.3.1.4. Agrees that capitalized terms used herein but not defined herein shall have the same meaning attributed to them as in the Trust Agreement or Plan Document, as the case may be.

A.4.1. The Employer hereby represents and warrants that:

A.4.1.1. **Authorizing Law.** Employer has reviewed with its legal counsel and has determined that Employer is authorized to establish and maintain the Plan and to establish a financial-institution trust (separate and apart from the state) for the Plan, including the authority to adopt the Trust Agreement.

A.4.1.2. **Authorizing Resolution.** Attached hereto is a certified copy of a resolution of the Employer's governing body authorizing the adoption of the Trust Agreement as part of the Plan and authorizing the appointment of the Plan Administrator designated by position of employment at the Employer to act on the Employer's behalf in all matters relating to the trust.

A.4.1.3. **Tax Status.** The Plan is a "governmental plan" as defined in Section 414(d) of the Internal Revenue Code of 1986, as amended; is a "Section 401(a)(24) governmental plan" as defined in Revenue Ruling 2011-1; and is not subject to Federal income taxation. The Plan's governing document expressly provides that it is irrevocably impossible for any part of the corpus or income of the Plan to be used for, or diverted to, purposes other than for the exclusive benefit of the Plan participants and their beneficiaries. The Pension Plan is a qualified plan under Code Section 401(a). (In addition, the Employer hereby acknowledges that the Plan is prohibited from assigning any part of its equity or interest in the trust.)

A.4.2. **Investment Approach.**

4.2.1. *The following provisions apply if and only if the **OPEB Plan** box above is checked:*  
**OPEB Account.** OPEB Account assets are invested in the discretion of (*check one and only one of the following boxes*):

Discretionary investment approach:

- The Bank, subject to **Exhibit A (Investment Strategy Selection and Disclosure Form)** hereto.

Directed investment approach:

- The Plan Administrator.
- The following registered investment adviser, bank (other than the Bank), or insurance company (a "Third-Party Manager"): \_\_\_\_\_

\_\_\_\_\_. The Employer hereby represents and warrants that attached hereto is an executed copy of the agreement with the above appointed Third Party Manager.

4.2.2. *The following provisions apply if and only if the **Pension Plan** box above is checked:*  
**Pension Account.** Pension Account assets are invested in the discretion of (*check one and only one of the following boxes*):

Discretionary investment approach:

- The Bank, subject to **Exhibit A (Investment Strategy Selection and Disclosure Form)** hereto.

Directed investment approach:

- The Plan Administrator.
- The following registered investment adviser, bank (other than the Bank), or insurance company (a "Third-Party Manager"): \_\_\_\_\_

\_\_\_\_\_. The Employer hereby represents and warrants that attached hereto is an executed copy of the agreement with the above appointed Third Party Manager.

*[signature page follows]*

**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

By: \_\_\_\_\_  
John Friedenbach

Its: General Manager

Date: \_\_\_\_\_

*Accepted by:*

**PHASE II SYSTEMS, DBA PUBLIC AGENCY  
RETIREMENT SERVICES (PARS)**

By: \_\_\_\_\_  
Daniel Johnson

Its: President

Date: \_\_\_\_\_

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Susan M. Hughes

Its: Vice President and Relationship Manager

Date: \_\_\_\_\_

# New Business

**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

To: Board of Directors

From: John Friedenbach

Date: March 1, 2018

Subject: Request for Grant Support Letter from Mad River Alliance

.....

The Mad River Alliance (MRA) has developed the Mad River Alliance Water Quality Monitoring Project (MRWQMP). The stated purpose of the MRWQMP is to train teams of citizen scientists to collect, test, record, and disseminate Mad River water quality data results with the public, agencies, and land managers.

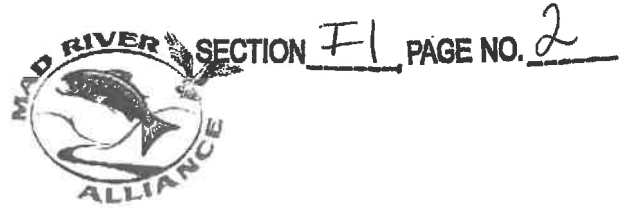
As stated in MRA's grant request to the Rose Foundation, "water quality monitoring is critical for assessing watershed health and detecting ecological changes, presence of contaminants, etc. Water quality data can give insight to current and future land uses, vegetation regime changes, climate-change, and overall health and function of the mad River watershed, and whether or not that health and function is changing over time." This statement directly correlates to the component of our District's Mission Statement which is: "...protect the environment of the Mad River watershed to preserve water rights, water supply and water quality interests of the District."

Their grant application further states: "Within the lower 14 miles of the Mad River Watershed there are over 50 businesses discharging surface storm water into the Mad River. All these businesses are required to have a stormwater discharge plan filed with the North Coast Regional Water Quality Control Board (NCRWQCB). However, NCRWQCB does not have funding or the staff to physically monitor these discharges. Given this, businesses are largely self-regulated; therefore, it is critical to have a third party to perform objective water quality analysis on a quarterly basis. Regular monitoring will help to ensure the health and quality of the source of drinking water of two-thirds of Humboldt County Residents." Monitoring the impact of these businesses on our source drinking water is a primary concern for our District.

MRA has requested a grant application support letter by our District for their application to the Rose Foundation. MRA did provide a grant support letter to the District for our Instream Flow Grant application to the Wildlife Conservation Board. In addition, our District has supported the efforts of MRA in the past.

Therefore, staff recommends that the Board authorize staff to prepare a letter of support for the MRA's grant application to the Rose Foundation.

August 11, 2017



Mr. John Friedenbach, General Manager  
Humboldt Bay Municipal Water District  
828 7<sup>th</sup> Street  
Eureka, CA 95501-1114

RE: Support for Wildlife Conservation Board Proposition 1 Streamflow Enhancement Program Grant

Dear Mr. Friedenbach,

I am writing on behalf of Mad River Alliance to express our support for your Streamflow Enhancement Program grant application to the Wildlife Conservation Board. As we discussed in our meeting on August 8, 2017, your District is uniquely positioned to provide releases that enhance and improve habitat for salmonids and special status species in the Mad River. There are a variety of species in the watershed that would benefit from your District's proposed Section 1707 instream flow dedication. Moreover, your proposed streamflow enhancements are in alignment with the California Water Action Plan's three components: support anadromous fish, support endangered or at-risk species, and provide resilience to climate change for critical habitat areas in and along the Mad River.

Mad River Alliance worked successfully with your District in the past to develop and conduct several Best Management Practices (BMP) workshops to encourage Mad River watershed landowners to implement BMP's proven to reduce cumulative negative impacts on water quality. These workshops were well received, attended and used as a model for similar workshops across the state.

MRA is pleased to support HBMWD's grant application by providing in-kind support. Our support will include transmitting annual fish and other species data that we collect every summer, and discussing the methods and potential limitations of the data with HBMWD and its consultants. Over the term of WCB's grant, we value our in-kind services at \$6,000.

Mad River Alliance is a community driven group working to protect clean local water and the ecological integrity of the Mad River watershed for the benefit of its human and natural communities. Mad River Alliance is a 501(c)3 (Humboldt County, California). Our mission aligns with habitat enhancement and conservation goals of the District and we encourage the work you are doing to pursue the 1707 instream flow dedication.

We endorse your application to the Wildlife Conservation Board and are willing to provide support once a grant is awarded.

Respectfully,

A handwritten signature in black ink, appearing to read "Dave Feral", is written over the word "Respectfully,".

Dave Feral  
Executive Director,  
Mad River Alliance  
707-382-6162

**Project Name or General Support\***

Mad River Alliance Water Quality Monitoring Project

**Amount Requested\***

15,000

**Grant Period Requested**

**The Rose Foundation mostly makes 1-year grants. If you are seeking funding for more than one year, please indicate the duration of the grant you are seeking.**

Spring 2018

**Short Project Summary\***

**Please provide a short summary of the project for which you are requesting funding.**

Mad River Alliance's Water Quality Monitoring Project (MRWQMP) puts citizens in touch with the Mad River, the source of water for approximately 90,000 Humboldt Co. residents. The MRWQMP will train teams of citizen scientists to collect, test, record & share Mad River water quality data results with the public, agencies, and land managers. Ongoing monitoring provides a feedback loop so managers can understand how practices are effective in reducing negative impacts. This monitoring program will help managers improve upon practices and improve water quality over time.

**Summary Description of Applicant\***

**Please describe the applicant organization's mission, current activities, and most important accomplishment(s). Please describe past experience in watershed stewardship or water quality activities.**

Mad River Alliance (MRA) is a community driven group working to protect clean local water and the ecological integrity of the Mad River watershed for the benefit of its human and natural communities. Mad River Alliance is a 501(c)3 (Hum. Co., CA). Four core programs are described below.

The Education program provides formal and informal learning opportunities. For K-12 schools we provide a series of hands-on learning experiences, introducing ecological concepts, technical skills (water safety), and teamwork, which build a foundation for watershed stewardship.

Our Restoration program is working on a planning and implementation of a project funded by the of Fish and Wildlife's Fisheries Restoration Grants Program to enhance and improve conditions for Coho salmon on Powers Creek in the City of Blue Lake, a tributary to the Mad River. We are also working on a similar plan for the N.Fork Mad River.

The Conservation program team is coordinating with local land managers and agencies to ensure the Mad River watershed is getting the attention it deserves. Projects include: Angler Outreach, Steelhead Stewardship, Invasive Species Removal, and River Clean-Ups. We are proud that MRA has removed over 400 cu. Yards of trash, 300 car tires, and hundreds of syringes.

Our Monitoring program works to ensure water quality and ecological integrity are monitored in the Mad River watershed by developing and implementing monitoring projects to support data needs. For example, MRA worked with Blue Lake Rancheria staff, to collect water quality data used to provide

scientific evidence that Blue Lake Power, LLC. was not in compliance with the Clean Water Act, resulting in enforcement to protect clean water in the Mad River. Our projects include a long-term temperature study, summer steelhead population survey, and water quality monitoring. The MRWQMP program has matured and developed to the point where we now need a paid program coordinator to ensure program success.

**Organizational Leadership and Community Involvement\***

**Please describe your organization's leadership and community involvement. Describe any underserved or disadvantaged communities that benefit from your group's work. How does your board and staff composition reflect the communities served by your organization?**

The water from the Mad River is the sole water source for approximately 2/3 of the total population of Humboldt County supplying all the major municipalities in the Humboldt Bay area (Arcata, Eureka, McKinleyville, Blue Lake, and King Salmon) with drinking water. Approximately 20 percent of the population in Humboldt County lives at or below the poverty level ([www.census.gov](http://www.census.gov)), and MRA's water quality monitoring will enhance the health of the watershed, which will benefit the majority of the residents of Humboldt County regardless of economic standing or background, as described further below.

The Native American population in Humboldt County comprises 6% of the total population and is heavily dependent on exceptional water quality for access to traditional foods, medicine, materials, and cultural traditions. MRA conducts a summer Steelhead population survey on the Mad River utilizing a team of 26 scientists and every year we work volunteers from the Wiyot Tribe and Blue Lake Rancheria to conduct these surveys. In 2017 MRA raised funds to sponsor a Swift Water Rescue Training and 6 tribal members participated. In February 2018, MRA hosted a community outreach event (Humboldt Steelhead Days Expo) and both the Blue Lake Rancheria and Wiyot Tribe participated, including over 300 community members. Mad River Alliance is also developing a K-12 program and is currently working to include Wiyot stories and language into the curriculum.

The Spanish speaking community represents about 10%, which is most likely under estimated, due to current national policies. MRA is currently working with representatives of the Humboldt Chapter of Latino Outdoors to translate our Source to Sea educational curriculum and all other written materials from English to Spanish.

MRA is consistently working to reach out to the diverse array of community members, seeking their help to strengthen our team of watershed stewards.

**Narrative Description\***

**What would you do with this grant? Please provide an outline of your strategy, work plan, objective, and how you will evaluate progress.**

Mad River Alliance will use the funds from this grant to pay staff to implement the Mad River Water Quality Monitoring Project (MRWQMP). This includes: managing the program, coordinating sampling efforts, managing data, information sharing, and stakeholder outreach.



Since 2011, Mad River Alliance has sought to fill critical data gaps throughout the Mad River watershed by partnering with Tribes, State and Federal agencies, and industry representatives to conduct high-quality scientific studies. MRA's projects include: Mad River Estuary Extent and Salinity Profile Assessment, Annual Summer Steelhead Snorkel Surveys, and Continuous Temperature Monitoring Studies. Data generated from these projects raise awareness about the health and function of Mad River, and inform natural resources managers and the general public about the state of the Mad River watershed.

The Science and Monitoring Committee of MRA has identified baseline water quality monitoring in Mad River as a priority to understand the health and function of Mad River. Currently there is very little systematic, long-term monitoring of water quality in Mad River. Water quality monitoring is critical for assessing watershed health and detecting ecological changes, presence of contaminants, etc. Water quality data can give insight to current and future land uses, vegetation regime changes, climate change, and overall health and function of the Mad River watershed, and whether or not that health and function is changing over time.

Within the lower 14 miles of the Mad River watershed there are over 50 businesses discharging surface storm water into the Mad River. All these businesses are required to have a stormwater discharge plan filed with the North Coast Regional Water Quality Control Board (NCRWQCB). However, NCRWQCB does not have funding or the staff to physically monitor these discharges. Given this, businesses are largely self-regulated; therefore, it is critical to have a third party to perform objective water quality analysis on a quarterly basis. Regular monitoring will help to ensure the health and quality of the source of drinking water of two-thirds of Humboldt County Residents.

Volunteer monitoring programs exist across the world and provide important information about our environment. Volunteer monitoring programs have long recognized the importance of well-designed monitoring projects: written field, lab, and data management protocols, trained citizen volunteers, and clearly communicated results. A monitoring program on Mad River would provide baseline data regarding a vital watershed in our community.

The Mad River Water Quality Monitoring Project (MRWQMP) is a project administered by MRA's Science and Monitoring Committee, with the overarching goal of collecting baseline data to further our understanding of the health of Mad River. The dedicated Science and Monitoring Committee meets monthly to discuss task such as project development, sampling design and data collection protocols, Quality Assurance and Quality Control, data analysis and reporting, and volunteer coordination.

Managing the MRWQMP consists of ensuring proper implementation of the Quality Assurance Program Plan (QAPP) and Sampling Plan (SAP). Responsibilities include: management of equipment, volunteers, data, recruiting volunteers for data collection, data entry, and sharing, and seeking ongoing funding to ensure the long-term success of the project. This program will train volunteers to collect field data on Mad River water quality, including the following constituents: nitrate-nitrogen, phosphate, dissolved oxygen, total alkalinity, turbidity, temperature, and pH. Monitoring these parameters have the ability to indicate a measurable impairment in water quality. Both the SAP and QAPP have been developed by Mad River Alliance to insure the quality of the water sampling is on par with current acceptable methods and protocol. These documents define where, when, and how this baseline sampling will occur and be recorded, QAQC procedures, and data storage practices. QAPP Goals Include:

Design and execute scientifically credible studies which assess the condition of the Mad River ecosystem,

Empower citizens to be responsible stewards and decision-makers,

Identify valued resources and watershed characteristics for setting management goals,

Identify physical watershed characteristics influencing pollutant inputs, transport and fate,

Identify the status and trends of biological resources in and around an aquatic environment,

Screen for water quality problems,

Identify pollution sources and potentially illegal activities (e.g., spills, wetland fill, diversions, discharges),

Establish trends in water quality for waters that would otherwise be un-monitored,

Evaluate the effectiveness of restoration or management practices,

Evaluate the effect of a particular activity or structure, and

Evaluate the quality of water compared to specific water quality criteria.

The above paragraphs summarize what is contained within the QAPP and the SAP, which are the documents that will guide our Science and Monitoring team to successfully implement the MRWQMP. Over the Course of 18 months we will regularly sample 8 key locations on the Mad River. This data will be available for any person, group, or agency to access on the Mad River Alliance website.

The details of our work plan are contained within the QAPP and SAP, which were provided in the 2017 Nor Cal Environmental Grassroots Report produced by MRA and funded by the Rose Foundation.

We believe our work-plan will allow the MRA Science and Monitoring team to successfully implement the MRWQMP, guiding the way to better land management, and improved water quality for both the human and natural communities utilizing the Mad River.

#### **Community Involvement\***

**Please describe the constituents. Identify any significant community partners, and how they would be involved in the project.**

MRA has worked with a large array of constituents over the years to monitor fish populations and water quality including: California Department of Fish and Game, NOAA Fisheries, U.S. Fish & Wildlife Service, Wiyot Tribe, Blue Lake Rancheria, City of Blue Lake, and Humboldt Bay Municipal Water District.

The most significant community partner in support of the MRWQMP is the Humboldt Bay Municipal Water District (HBMWD). The mission of HBMWD is to reliably deliver high quality drinking water to the communities and customers in the greater Humboldt Bay Area at a reasonable cost; reliably deliver untreated water to wholesale industrial customer(s) at a reasonable cost; and protect the environment of the Mad River watershed to preserve water rights, water supply, and water quality interests of the District.

The mission of MRA and HBMWD are well aligned and our two groups work collaboratively to ensure the protection of clean water in the Mad River. MRA has been in communication with HBMWD general manager John Friedenbach regarding our plans for monitoring water quality in areas proximate to the water districts intake wells, and Mr. Friedenbach is in full support of our plan and has encouraged MRA to seek funding and support from the HBMWD Board of Directors and other funding sources like Rose Foundation and Humboldt Area Foundation. MRA is coordinating with Mr. Friedenbach to present MRA's request for a letter of support and financial support to his board at their March 6th board meeting. We anticipate the HBMWD will provide some additional funding to support the MRWQMP. Mr. Friedenbach can be reached at [friedenbach@hbmwd.com](mailto:friedenbach@hbmwd.com) or (707) 443-5018. We are encouraged by the support for our program, and as we reach out to strengthen it, we continue to hear: "yes we want to help!"

**Start and End\***

**When does your project start and when does it end?**

Saturday February 17th, 2018 to July 2019

**Budget Total Expense\***

**For the current fiscal year, what is your total organizational budget expense?**

46,650.00

**Previous Year's Expenses\***

**What were your total organizational expenses for the previous fiscal year?**

65,485.00

**What is the Total Budget for the Project?**

**What is the total budget expense for the project that you are requesting support for from Rose Foundation? What other funders are you approaching for support of this project? If you are seeking general support, you may skip this question.**

We are seeking Rose Foundation support for \$15,000 to support a full time water quality monitoring coordinator position.

We have \$9,600 identified for this position from a Settlement for Environmental Projects.

We hope to secure another \$5,000 from the Humboldt Bay Municipal Water District, an additional \$5,000 from The Northern California Environmental Grassroots Fund, and \$5,000 from the Humboldt Area Foundation Field of Interest Grant Fund due September 1, 2018.

**Tax Status\***

**Which best describes your organization?**

501c3

**How did you hear about the Rose Foundation?**

**Please tell us how you first heard about the Rose Foundation.**

Ryan Henson of the California Wilderness Coalition suggested we contact Rose Foundation for support.

**FINANCIAL**

**Humboldt Bay Municipal Water District**

Memo to: Board of Directors

From: Becky Moyle, Accounting & Human Resources Specialist

Date: March 2, 2018

Subject: Financial Report for February 2018

The Financial Report for February 2018 was not completed by the BlueBook publish date. I expect to have the Financial Report completed early next week and will email it to you as soon as it is completed. Please let me know if you would like a paper copy delivered to you.

The Expenses by Vendor Detail report is in the BlueBook.

Humboldt Bay Municipal Water District  
Expenses by Vendor Detail

January 2018

SECTION Ja, PAGE NO. 2

Memo	Amount
101Netlink	
Ruth Data Link/Internet	-170.00
<b>Total 101Netlink</b>	<b>-170.00</b>
<b>Advanced Security Systems</b>	
Upgrade Essex Fire Alarm System	-7,722.63
Essex Quarterly Alarm System Monitoring	-76.50
Ruth Hydro Quarterly Alarm System Monitoring	-76.50
<b>Total Advanced Security Systems</b>	<b>-7,875.63</b>
<b>Altec Industries, Inc</b>	
warning label for Unit 4 Boom	-17.93
<b>Total Altec Industries, Inc</b>	<b>-17.93</b>
<b>Asbury Environmental Services</b>	
dispose of hazardous waste	-525.00
<b>Total Asbury Environmental Services</b>	<b>-525.00</b>
<b>AT &amp; T</b>	
Ruth HQ	
TRF	
Essex office	
Eureka office	-96.34
Ruth Hydro	
Valve Building Samoa	
Ruth HQ	-26.85
TRF	-9.59
Essex office	-371.49
Eureka office	-6.54
Ruth Hydro	-203.55
Valve Building Samoa	-96.61
<b>Total AT &amp; T</b>	<b>-810.97</b>
<b>AT&amp;T</b>	
Eureka/Essex Landline	-34.96
Arcata/Essex Landline	-34.96
Samoa/Essex Landline	-234.43
Blue Lake Meter Signal	-60.36
Eureka Office Modem	-134.25
Eureka Office Alarm	-39.69
Samoa Booster Pump	-80.21
Valve Building	-134.25
Eureka Office	-329.60
Essex Office	-831.73
TRF	-130.54
Ruth Dataline	-130.06
<b>Total AT&amp;T</b>	<b>-2,175.04</b>
<b>AT&amp;T Advertising Solutions</b>	
white page listing	-21.00
<b>Total AT&amp;T Advertising Solutions</b>	<b>-21.00</b>
<b>Campton Electric Supply</b>	
Essex lighting	-678.77
<b>Total Campton Electric Supply</b>	<b>-678.77</b>
<b>Carol McKibben</b>	
expense reimbursement for Essex office supplies	-70.60
<b>Total Carol McKibben</b>	<b>-70.60</b>
<b>Caselle, Inc</b>	
Caselle Accounting Software	-28,843.00
<b>Total Caselle, Inc</b>	<b>-28,843.00</b>
<b>City of Eureka</b>	
Eureka office water/sewer	-66.98

# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

Memo	Amount
Total City of Eureka	-66.98
Coastal Business Systems Inc. Eureka office copy and fax machine	-908.73
Total Coastal Business Systems Inc.	-908.73
Coastal Tree Service Blue Lake/Fieldbrook-Glendale CSD river crossing	-2,945.00
Total Coastal Tree Service	-2,945.00
Cody Bruffett auto mileage reimbursement - RE-ISSUE check 42899 lost in mail	-60.13
Total Cody Bruffett	-60.13
Corey Borghino auto mileage reimbursement October - December 2017	-110.21
Total Corey Borghino	-110.21
CRWA Annual Member Ship dues 2018	-480.00
Total CRWA	-480.00
Dave Perkins auto mileage reimbursement	-157.29
Total Dave Perkins	-157.29
Dillon Construction Sheriff's Cove debris removal	-2,400.00
Total Dillon Construction	-2,400.00
DTSC Ruth HQ Annual Hazmat Fee Ruth Hydro Annual Hazmat Fee	-284.00 -454.00
Total DTSC	-738.00
Eureka-Humboldt Fire Ext., Co, Inc repair Unit 5 fire extinguisher mount	-14.05
Total Eureka-Humboldt Fire Ext., Co, Inc	-14.05
Eureka Oxygen cylinder rental	-107.30
Total Eureka Oxygen	-107.30
FEDEX return ACWA/JPIA training tapes ship Ruth Lake water sample	-26.06 -54.39
Total FEDEX	-80.45
Fernbridge Tractor & Equipment Company John Deere backhoe repair	-72.38
Total Fernbridge Tractor & Equipment Company	-72.38
FleetPride equipment maintenance pipeline maintenance shop supplies	-3.91 -9.04 -60.86
Total FleetPride	-73.81
Fortuna Iron Corporation new Unit 9 lumber rack metal inventory	-89.16 -34.48
Total Fortuna Iron Corporation	-123.64
Frontier Communications Ruth HQ	-51.05



# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

SECTION *Ja* PAGE NO. *4*

Memo	Amount
Ruth Hydro/Ruth Dataline	-160.50
Ruth HQ	-51.42
Ruth Hydro/Ruth Dataline	-161.78
Total Frontier Communications	-424.75
GEI Consultants, Inc	
Ruth Dam Spillway repair	-369.00
Total GEI Consultants, Inc	-369.00
GHD	
(93438) Blue Lake/Fieldbrook River Crossing	-52,402.00
(93435) 1 MG Reservoir Roof Replacement	-255.50
(93437) Ruth Spillway Repair	-502.50
(93429) Ruth Dam Crest Monument Survey	-1,414.50
(93433) Ruth Left Abutment Slide Survey	-854.25
(93432) Ruth Dam Spillway Wall Survey	-753.75
(93431) Mad River Cross Sections below Ruth Dam	-2,016.00
(93430) FERC - DSSMR Assistance	-50.25
(93436) General Engineering - Essex	-1,745.00
(93436) General Engineering - Eureka	-1,005.00
Total GHD	-60,998.75
Harbor Freight Tools	
shop supplies	-32.51
Total Harbor Freight Tools	-32.51
Hensel Hardware	
hydrant meter maintenance/line locator maintenance	-30.85
pipeline maintenance	-10.84
gas detector maintenance	-35.21
shop supplies	-94.41
Total Hensel Hardware	-171.31
Henwood Associates, Inc	
Consultant Services Agreement	-851.42
Total Henwood Associates, Inc	-851.42
Hopkins Technical Products, Inc	
TRF chemical pump repair	-1,652.37
Total Hopkins Technical Products, Inc	-1,652.37
Humboldt County Planning	
Appeal to Board of Supervisors - Parcel Zoning Change	-2,263.00
Total Humboldt County Planning	-2,263.00
Humboldt Fasteners	
repair estimate fee	-15.00
Total Humboldt Fasteners	-15.00
Humboldt Redwood Company, LLC	
Mt Pierce Lease site	-266.79
Total Humboldt Redwood Company, LLC	-266.79
Hummel Tire & Wheel	
Unit 6 winter tires	-453.17
Unit 6 winter tires	-453.17
Total Hummel Tire & Wheel	-906.34
Jack Hurst Trucking	
Haul Rock to Eureka office	-2,400.00
Total Jack Hurst Trucking	-2,400.00
JTN Energy, LLC	
Consultant Services Agreement	-851.42
Total JTN Energy, LLC	-851.42

# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

SECTION JBA PAGE NO. 5

Memo	Amount
Keller America, Inc domestic water reservoir backup level sensor	-492.35
Total Keller America, Inc	-492.35
Ken Davis expense reimbursement for safety shoes	-108.48
Total Ken Davis	-108.48
Kernen Construction Park 4 road maintenance	-264.54
Total Kernen Construction	-264.54
Mario Palmero Essex office supplies Holiday party supplies Eureka office landscaping project	-87.70 -39.53 -16.00
Total Mario Palmero	-143.23
Matthews Paints, Inc. pressure washer maintenance shop supplies	-59.68 -75.39
Total Matthews Paints, Inc.	-135.07
Mendes Supply Company Eureka office maintenance	-86.73
Total Mendes Supply Company	-86.73
Miller Farms Nursery repair equipment	-94.52
Total Miller Farms Nursery	-94.52
Mission Linen maintenance supplies Uniform Rental	-91.14 -657.58
Total Mission Linen	-748.72
Mitchell, Brisso, Delaney & Vrieze Legal services Essex- December 2017 Legal Services Eureka - December 2017	-31.00 -558.00
Total Mitchell, Brisso, Delaney & Vrieze	-589.00
Napa Auto Parts vehicle maintenance vehicle maintenance shop supplies	-98.39 -42.94 -98.36
Total Napa Auto Parts	-239.69
NCBPA Backflow Prevention Training	-2,370.00
Total NCBPA	-2,370.00
NCCCO Crane Operator Certification - Test Site	-50.00
Total NCCCO	-50.00
NEAC Annual membership	-40.00
Total NEAC	-40.00
Network Management Services Essential Care Computer Support Service for Eureka office Guard-IT Security Service for Eureka office Recover-IT Backup Solution Domain Management Umbrella Security Essential Care Computer Support Service for Eureka office	-368.10 -139.99 -124.99 -3.00 -30.00 -368.10

# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

SECTION   Jaa   PAGE NO.   6  

Memo	Amount
Guard-IT Security Service for Eureka office	-139.99
Recover-IT Backup Solution	-124.99
Domain Management	-3.00
Umbrella Security	-30.00
Total Network Management Services	-1,332.16
North Coast ASCE	
Seminar on Drones	-45.00
Total North Coast ASCE	-45.00
North Coast Cleaning Services, Inc	
Eureka office building maintenance	-545.00
Total North Coast Cleaning Services, Inc	-545.00
North Coast Laboratories	
lab tests	-665.00
Total North Coast Laboratories	-665.00
Northern California Safety Consortium	
membership fee	-50.00
Total Northern California Safety Consortium	-50.00
Pacific Gas & Electric Co.	
Eureka Office	-474.75
Jackson Ranch Rectifier	-17.29
299 Rectifier	-82.26
West End Rd. Rectifier	-108.98
TRF	-6,654.72
Ruth Valve Control	-24.08
Ruth Hydro	-19.71
Samoa Booster Pump Station	-346.94
Samoa Dial Station	-48.09
Essex Pumping 12/1/2017 to 12/31/2017	-44,793.33
Ruth Bunkhouse	-46.86
Total Pacific Gas & Electric Co.	-52,617.01
Pacific Paper Co.	
Eureka office supplies	-434.21
Total Pacific Paper Co.	-434.21
PasoRoblesTank-Brown-Minneapolis Tank, Inc	
1 MG D/W Reservoir Roof & Painting - Final Payment	-23,878.45
Total PasoRoblesTank-Brown-Minneapolis Tank, Inc	-23,878.45
Peterson Tractor Co.	
CAT 420 repair	-511.58
CAT 420 backhoe repair	-166.27
Total Peterson Tractor Co.	-677.85
Pierson Building Center	
Ruth Hydro backup generator installation	-72.76
Total Pierson Building Center	-72.76
Pioneer Law Group, LLP	
Legal Services	-5,000.00
Total Pioneer Law Group, LLP	-5,000.00
Pitney Bowes	
postage meter lease	-209.54
Total Pitney Bowes	-209.54
Platt Electric Supply	
Essex lighting maintenance	-396.61
Ruth Hydro lighting maintenance	-118.27
Total Platt Electric Supply	-514.88

# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

SECTION Ja PAGE NO. 7

Memo	Amount
Rebecca J. Moyle	
auto mileage reimbursement July - December 2017	-30.28
office supplies	-91.11
Board of Directors meeting	-10.98
ACWA/JPIA Employee Benefits Presentation	-10.00
Eureka office landscaping	-7.00
copies Humboldt County Environmental Health - Planning Commission App...	-5.00
Total Rebecca J. Moyle	-154.37
Recology Arcata	
Essex Garbage Service	-383.07
Total Recology Arcata	-383.07
Recology Humboldt County	
Eureka office garbage/recycling service	-85.40
Total Recology Humboldt County	-85.40
Renner Petroleum	
cardlock fuel - pumping & control	-300.93
cardlock fuel - water quality	-300.93
cardlock fuel - maintenance	-300.93
cardlock fuel - customer service	-300.93
maintenance supplies	-21.16
Total Renner Petroleum	-1,224.88
ROMC	
pre-employment physical	-200.00
Total ROMC	-200.00
Roto-Rooter Plumbers	
Eureka office maintenance	-299.00
Total Roto-Rooter Plumbers	-299.00
SCBA Safety Check, Inc	
Spare Bottles for SCBAs	-1,580.00
Total SCBA Safety Check, Inc	-1,580.00
Scrapper's Edge	
copy Ruth lease map	-1.95
copy project plans	-94.39
copy Humboldt County General Plan	-55.49
Total Scrapper's Edge	-151.83
Security Lock & Alarm	
Eureka office lock maintenance	-20.00
Total Security Lock & Alarm	-20.00
Sitestar Nationwide Internet	
Essex Internet	-52.90
Total Sitestar Nationwide Internet	-52.90
Six Rivers Communications	
Unit 1 radio repair	-150.22
Picketts Peak radio repair	-7,617.21
new Unit 9 Radio installation	-882.30
Total Six Rivers Communications	-8,649.73
Solo Sports	
District Hats	-744.31
Safety Apparel	-2,899.12
Total Solo Sports	-3,643.43
Staples	
Essex office supplies	-107.58
Eureka office supplies	-171.99

# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

SECTION 2a PAGE NO. 8

Memo	Amount
Eureka office supplies	-85.66
Total Staples	-365.23
Streamline	
Website maintenance membership fee	-450.00
Website maintenance membership fee	-450.00
Total Streamline	-900.00
Sudden Link	
TRF Internet	-105.38
Eureka office internet	-204.95
Fieldbrook-Glendale CSD internet	-271.02
Essex Internet	-124.95
Total Sudden Link	-706.30
SWRCB	
Annual Permit Fee - Essex	-1,500.00
Annual Permit Fee - Ruth	-1,500.00
Water System Fees	-10,347.92
Total SWRCB	-13,347.92
T.P. Tire Service, Inc	
Unit 1 flat repair	-20.00
Total T.P. Tire Service, Inc	-20.00
TechnoFlo Systems	
HCSO meter replacement	-4,170.48
Total TechnoFlo Systems	-4,170.48
Tehama Tire Service	
vehicle maintenance	-72.00
Total Tehama Tire Service	-72.00
Thatcher Company, Inc	
TRF chemical supplies	-4,669.28
TRF chemical supplies	-4,437.92
replenish chlorine	-2,102.96
Total Thatcher Company, Inc	-11,210.16
The Mill Yard	
Eureka office lighting maintenance	-16.57
vehicle maintenance	-2.68
Park restroom maintenance	-88.27
computer maintenance	-25.91
shop supplies	-124.73
pipeline maintenance	-63.89
Total The Mill Yard	-322.05
Thrifty Supply	
Lead free meter service fittings	-6,786.46
Total Thrifty Supply	-6,786.46
Trinity County General Services	
Pickett Peak site lease	-250.00
Total Trinity County General Services	-250.00
Trinity County Solid Waste	
Ruth HQ dump fees	-27.25
Ruth Hydro dump fees	-27.25
Total Trinity County Solid Waste	-54.50
U.S. Bank Corporate Payment System	
Ruth HQ Fuel Tank safety signs	-87.18
Essex hazardous waste labels	-30.12
Ruth Hydro diesel fuel signs	-29.50
Water Treatment Plant Operation Course - D. Corral	-157.53

# Humboldt Bay Municipal Water District Expenses by Vendor Detail

January 2018

SECTION 22a PAGE NO. 9

Memo	Amount
Essex office supplies	-215.63
Essex computer supplies	-26.68
Essex computer backp battery	-204.72
Essex office supplies	-54.16
ACWA Conference	-187.10
print copies of CIP	-4.07
ACWA Conference	-866.17
Eureka office supplies	-32.03
Eureka office flag	-40.06
new employee jacket	-53.11
TRF backup system battery	-108.49
Control System Software update/training	-256.52
lab supplies	-18.54
TRF filter cleaning	-17.77
Fieldbrook-Glendale CSD disinfection supplies	-21.50
replenish emergency preparedness kits at Essex	-80.24
Essex office supplies	-23.19
Eureka office building maintenance	-339.00
Eureka office supplies	-32.71
Pump for Ruth HQ water system	172.16
<b>Total U.S. Bank Corporate Payment System</b>	<b>-2,713.86</b>
<b>USA Blue Book</b>	
Replace Customer Service metal detector	-1,097.66
chlorine leak detection supplies	-49.88
<b>Total USA Blue Book</b>	<b>-1,147.54</b>
<b>USTI, Inc</b>	
Humboldt Bay Retail eBill charge	-3.44
Fieldbrook-Glendale CSD eBill charge	-7.60
eBill/ePay maintenance renewal	-302.50
<b>Total USTI, Inc</b>	<b>-313.54</b>
<b>Verizon Wireless</b>	
General Manager	-37.35
Customer Service	-43.25
Operations 2	-0.59
Electrician	-0.22
Unit 6	-22.75
Unit 6	-22.75
Assistant Water Operations Supervisor	-37.27
Opererations 1	-0.22
<b>Total Verizon Wireless</b>	<b>-164.40</b>
<b>West Coast Plumbing</b>	
Ruth HQ water system maintenance	-470.18
<b>Total West Coast Plumbing</b>	<b>-470.18</b>
<b>Wienhoff &amp; Associates Inc</b>	
Add employee to Annual Consortium membership	-70.00
<b>Total Wienhoff &amp; Associates Inc</b>	<b>-70.00</b>
<b>William B. Newell</b>	
auto mileage reimbursement	-98.98
<b>Total William B. Newell</b>	<b>-98.98</b>
<b>Wonder Bros. Auto Body</b>	
Unit 11 repair	-1,126.32
<b>Total Wonder Bros. Auto Body</b>	<b>-1,126.32</b>
<b>TOTAL</b>	<b>-272,887.29</b>

**Humboldt Bay Municipal Water District**

To: Board of Directors  
From: John Friedenbach  
Date: February 22, 2018  
Re: ACWA/JPIA RSF Fund

The District purchases insurance for Liability, Property and Workers' Compensation through the ACWA/JPIA. The JPIA is refunding funds from the Rate Stabilization Fund. These funds are returned to members when they exceed -50% of the current year's Liability Basic Premium. The JPIA's Liability, Property and Workers' Compensation programs are pooled programs and any excess amounts are returned to members-compared to an insurance broker who keeps any profit.

The District will be receiving a refund check which will be presented at our Board meeting.

To: Board of Directors  
From: Chris Harris  
Date: March 8, 2018  
Re: Audit for the year ended June 30, 2017

**Discussion**

For the audit of fiscal year 2017, staff has again worked with Michael O’Conner from R. J. Ricciardi, Inc., located in San Rafael, California. The entire process was very smooth and staff is pleased the District has received another “no findings” result.

The Audit Committee will be speaking with Mr. O’Conner via conference call on Tuesday, March 6<sup>th</sup> after reviewing the draft audit document provided in the Blue Book for the March 8<sup>th</sup> Board Meeting. Any changes, questions, or suggestions that arise from this meeting will be brought to the full Board during the March 8<sup>th</sup> meeting.

Mr. O’Conner will also be available for the Board at the March 8<sup>th</sup> meeting via conference call.

This is the second year working with Mr. O’Conner and the R. J. Ricciardi, Inc. CPA Firm. Staff is pleased with the service and responsiveness of Mr. O’Conner and his assistants, and looks forward to working with them next year.

**Recommendation**

- Staff recommends the Board follow the Audit Committee’s recommendation.

**Attached**

Draft Audit for the year ended 6/30/17



**DRAFT**

**3/1/2018**

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. \*\*Report/Letter date is TENTATIVE-TBD\*\*

**HUMBOLDT BAY MUNICIPAL  
WATER DISTRICT**

**EUREKA, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-10
<u>Basic Financial Statements</u>	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Basic Financial Statements	14-33
<u>Required Supplemental Information</u>	
Proportionate Share of Net Pension Liability (Asset)	34
Schedule of Contributions	35
Schedule of Funding Progress for Other Post-Employment Benefits	36
<u>Other Supplemental Information</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Humboldt Bay Municipal Water District  
Eureka, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Humboldt Bay Municipal Water District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Humboldt Bay Municipal Water District's basic financial statements as listed in the table of contents. The prior year summarized information has been derived from Humboldt Bay Municipal Water District's June 30, 2016 financial statements and, in our report dated April 11, 2017, we expressed an unmodified opinion on those financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Humboldt Bay Municipal Water District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Humboldt Bay Municipal Water District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Humboldt Bay Municipal Water District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10) and the required supplementary information (page 34-36), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018, on our consideration of Humboldt Bay Municipal Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humboldt Bay Municipal Water District's internal control over financial reporting and compliance.

R. J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
February 16, 2018

The purpose of this section of the financial statements is to present management's discussion and analysis of the Humboldt Bay Municipal Water District's (District) financial performance during the fiscal year that ended on June 30, 2017. We recommend that readers review this in conjunction with the remainder of the financial statements.

## **INTRODUCTION AND BACKGROUND**

We would first like to provide a brief overview of the District and the customers served which will provide a context for the financial statements and the discussion which follows.

### **The Regional Water System:**

The District was formed in 1956 pursuant to the Municipal Water District Act of the California Water Code. The District completed construction of the regional water system in 1961, and service commenced to the Cities of Eureka and Arcata and two pulp mills on the Samoa Peninsula. Since the initial construction, a number of additions and improvements to the regional system have been made, and additional wholesale customers have joined the regional system. Since inception, this regional water system has efficiently and reliably served the municipal and industrial water needs of customers in the Humboldt Bay region.

The regional water system includes the following components: R.W. Matthews Dam (which forms Ruth Lake) and the Gosselin Power House, in Trinity County; and the following facilities in Humboldt County: 1) diversion works on the Mad River northeast of Arcata capable of supplying 75 million gallons per day, 2) treatment facilities, including the Lloyd L. Hecathorn Turbidity Reduction Facility, 3) over 35 miles of pipeline infrastructure around the Humboldt Bay area to deliver water to the wholesale customers, and 4) extensive communication and control systems to operate and control the regional system including the John R. Winzler Operations and Control Center.

### **Customers Served and Associated Wholesale Water Contracts:**

The District supplies treated domestic water to seven municipal agencies on a wholesale basis. The municipalities served by the District are the Cities of: Arcata, Blue Lake and Eureka, and the Community Services Districts of: Fieldbrook/Glendale, Humboldt, Manila and McKinleyville. Via the wholesale relationship, the District serves water to an estimated residential population of 88,000 (approximately 65% of the entire County), and to numerous businesses, industries and educational institutions.

The District provides retail water service to about 200 customers who reside outside the service territory of other water purveyors, but are located in close proximity to District facilities.

The District also has facilities to supply untreated water to customers on the Samoa Peninsula. The District was serving one wholesale industrial customer (pulp mill) until it ceased operations on October 15, 2008.

The District has long-term contracts in place with each of its seven wholesale municipal customers. These 20-year contracts were recently amended, and have an effective date of July 1, 2017. These contracts will be in place until June 30, 2037, with an opportunity to extend for another ten years.

These contracts define the terms and conditions by which the District provides water service to its customers. The contracts specify that all operating, maintenance and capital costs associated with the regional water system are paid for by the wholesale customers. The contracts also specify the manner in which these costs are allocated *among* the wholesale customers. Furthermore, they specify that most revenues received by the District, other than those associated with wholesale water sales, are credited back to the wholesale customers, and thus offset the costs that the wholesale customers otherwise pay. Examples of such revenues which are credited back to the wholesale customers include the District's share of 1% property taxes, power sales from the hydro-electric facility, interest income, revenues associated with retail water service, and other miscellaneous revenues.

A summary of the current cost allocation provisions of the wholesale contract is as follows:

Humboldt Bay Municipal Water District  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
 For the Year Ended June 30, 2017

Type of Cost	Municipal Customers' Cost Share	Industrial Customer(s) Cost Share
Debt Service for Turbidity Reduction Facility	100%	0%
Operation, Maintenance and Capital Expenditures associated with drinking water treatment facilities (i.e. facilities associated with providing safe drinking water in accordance with federal and state requirements)	100%	0%
Operation, Maintenance and Capital Expenditures associated with all other aspects of the regional water supply, pumping and distribution system (other than power for pumping water)  *Change in % due to pulp mill closure.	55% increased to 100% effective April 1, 2009*	45% decreased to 0% effective April 1, 2009*
Power Costs for Pumping Water	In proportion to actual power use.	n/a

Additionally, the wholesale contracts provide that “Additions to Reserves” may be charged to the wholesale customers should the District need to replenish its General Reserve level. There were \$100,000 in charges for additions to reserves to the wholesale customers for both FY2014-15 and FY2015-16. In FY2016-17 the charges for additions to reserves to the wholesale customers was \$200,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements are comprised of several components: a) the Statements of Net Position, b) the Statements of Revenues, Expenses, and Changes in Net Position, and c) the Statements of Cash Flows. These financial statements present the District’s financial position on an enterprise fund basis. An enterprise fund accounts for goods or services which are provided to outside parties – in the District’s case, this is wholesale and retail water service.

**BASIC FINANCIAL STATEMENTS**

The financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business. These statements offer short- and long-term financial information about District activities.

The Statement of Net Position includes all of the District’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.



All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations over the past year and can be used to determine the District's general financial well-being and whether the District has recovered its costs through its water charges.

The final financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and the changes in cash resulting from operations and investments. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

There may be minor rounding differences between the following tables and the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's net position was \$23,056,105 as of June 30, 2017, an increase of \$2,506,424 compared to June 30, 2016.
- Revenues were \$8,521,447, an increase of \$1,441,891 from FY 2015-16.
- Expenses were \$6,015,023, an increase of \$646,915 from FY 2015-16.

### **DISCUSSION AND ANALYSIS**

Our analysis of the District begins on page 10 of the financial statements. The Statements of Net Position present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. A summary of the District's Condensed Statements of Net Position is presented in Table 1 on the next page.

**TABLE 1**  
**CONDENSED STATEMENTS OF NET POSITION**

ASSETS	FY 2016-17	FY 2015-16	Change	
			\$	%
Current Assets	\$2,291,029	\$3,050,087	(\$759,058)	-24.89%
Restricted Cash & Investments	3,906,466	3,023,699	882,767	29.19%
Land, Property & Equipment (net Accum. Depr.)	24,322,674	22,593,840	1,728,834	7.65%
<b>Total Assets</b>	<b>30,520,169</b>	<b>28,667,626</b>	<b>1,852,543</b>	<b>6.46%</b>
<b>Deferred Outflows of Resources</b>	<b>957,042</b>	<b>408,002</b>	<b>549,040</b>	<b>134.57%</b>
<b>LIABILITIES</b>				
Current Liabilities	1,323,361	1,304,111	19,250	1.48%
Unearned grant revenue	-	30,005	(30,005)	-100.00%
Post-Retirement Health Benefits Obligation	796,174	770,816	25,358	3.29%
Net Pension Liability	2,602,142	2,002,310	599,832	29.96%
Long-term Debt	3,549,293	4,241,841	(692,548)	-16.33%
<b>Total Liabilities</b>	<b>8,270,970</b>	<b>8,349,083</b>	<b>(78,113)</b>	<b>-0.94%</b>
<b>Deferred Inflows of Resources</b>	<b>150,136</b>	<b>176,864</b>	<b>(26,728)</b>	<b>-15.11%</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	20,080,839	17,663,262	2,417,577	13.69%
Restricted (for debt service)	708,671	707,178	1,493	0.21%
Restricted (for capital projects)	1,765,845	1,269,406	496,439	39.11%
Restricted (for credits to municipalities)	445,412	403,085	42,327	10.50%
Unrestricted	55,338	506,750	(451,412)	-89.08%
<b>TOTAL NET POSITION</b>	<b>\$23,056,105</b>	<b>\$20,549,681</b>	<b>\$2,506,424</b>	<b>12.20%</b>

As can be seen from the table above, the net position as of June 30, 2017 was \$23,056,105, an increase of \$2,506,424 as compared to June 30, 2016. The majority of this increase is related to the grant funded construction projects.

The largest portion of the District's net position is its investment in capital assets called property and equipment (e.g., land, buildings, equipment, and water system infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide water services to its wholesale and retail customers, and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to satisfy these liabilities.

The Statements of Revenues, Expenses, and Changes in Net Position (page 12) present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes, or earned but unused vacation leave).



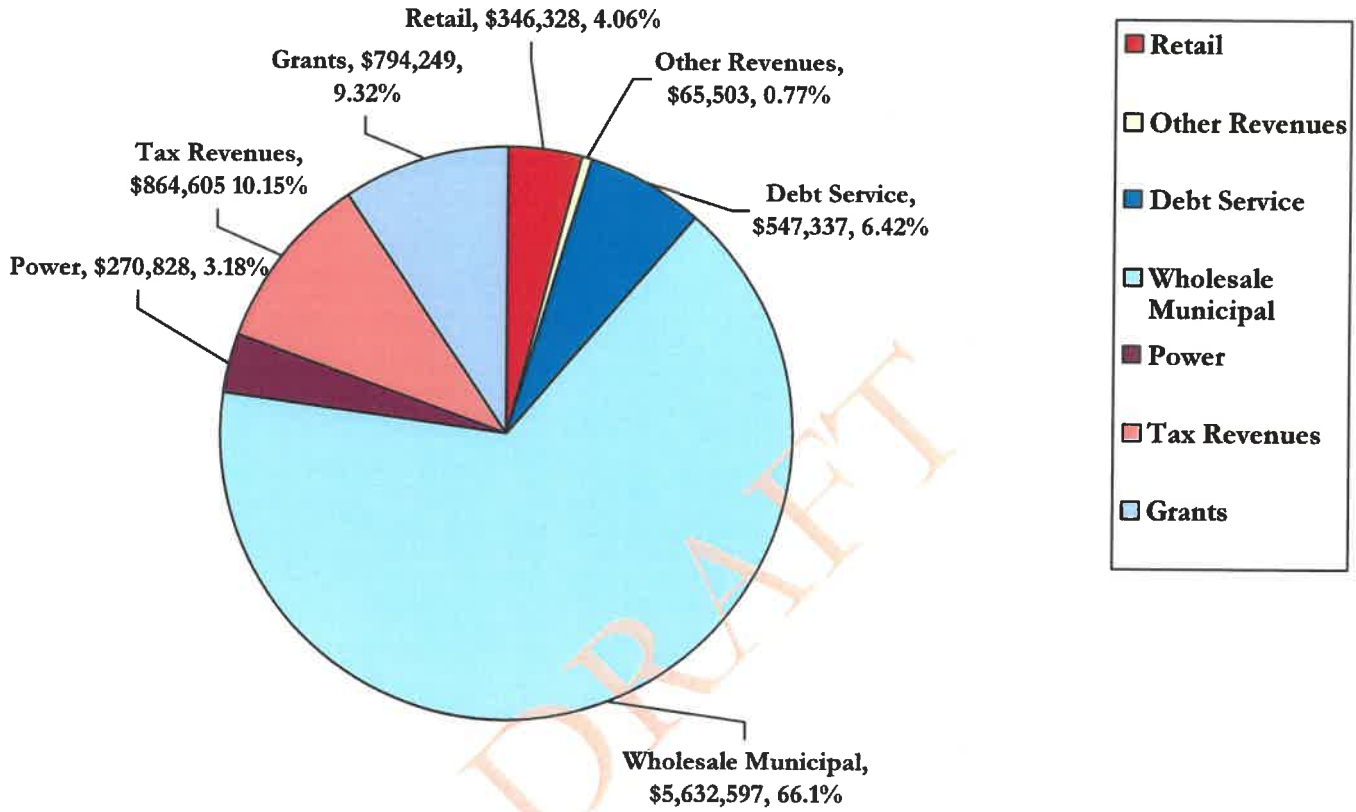
A summary of the District's Condensed Statements of Revenues, Expenses, and Changes in Net Position is presented in Table 2.

<b>TABLE 2 CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>				
	FY 2016-17	FY 2015-16	Change	
			\$	%
<b>REVENUES</b>				
<b>*Operating:</b>				
Water Sales	\$5,978,925	\$5,466,573	\$512,352	9.37%
Power Sales	270,828	145,889	124,939	85.64%
SRF Debt Service Receipt	547,337	547,337	-	0.00%
Other Operating	18,674	18,753	(79)	-0.42%
<b>*Non-Operating:</b>				
Taxes	864,605	855,435	9,170	1.07%
Interest Income	46,829	33,553	13,276	39.57%
Grant Revenues	794,249	12,016	782,233	6509.93%
<b>Total Revenues</b>	<b>8,521,447</b>	<b>7,079,556</b>	<b>1,441,891</b>	<b>20.37%</b>
<b>EXPENSES</b>				
Operating expense	4,999,669	4,352,963	646,706	14.86%
Non-operating expense	18,275	24,459	(6,184)	-25.28%
Depreciation	1,246,326	1,209,226	37,100	3.07%
Less Reimbursements	(249,247)	(218,540)	(30,707)	14.05%
<b>Total Expenses</b>	<b>6,015,023</b>	<b>5,368,108</b>	<b>646,915</b>	<b>12.05%</b>
<b>Change in Net Position</b>	<b>2,506,424</b>	<b>1,711,448</b>	<b>794,976</b>	<b>46.45%</b>
Beginning Net Position	20,549,681	18,838,233	1,711,448	9.08%
<b>Ending Net Position</b>	<b>\$23,056,105</b>	<b>\$20,549,681</b>	<b>\$2,506,424</b>	<b>12.20%</b>

While the Statements of Net Position show the changes in financial position, the Statements of Revenues, Expenses, and Changes in Net Position explain the nature and source of these changes. As shown in Table 2, the change in net position increased by \$2,506,424 compared to the prior year. The changes in revenues and expenses which contributed to this change in net position are reflected in the above line-item detail.

As a supplement to the Statements of Revenues, Expenses, and Changes in Net Position, Chart 1 presents operating and non-operating revenues earned in FY 2016-17 by category along with the proportionate share of the total revenue each category represents. The total revenues reflected in Chart 1 are \$8,521,447. The municipal customer receipts of \$547,337 for repayment of the District's SRF Loan for the Turbidity Reduction Facility, which is further described in the subsequent Long-Term Debt section and the grant funding receipts of \$794,249, are associated with repayment of long-term debt and special funding respectively and not current operations. The major fluctuations in revenues and expenses relate to the increased grant funding and related expenditures. The power revenue was higher due to increased rainfall compared to the prior year.

**Chart 1 Revenues Received by Category for FY 2016-17**



**Total Revenues \$8,521,447**

**PROPERTY AND EQUIPMENT**

The District has invested approximately \$61,600,000 in a broad range of infrastructure for the regional water system. Table 3 presents a summary of the District's property and equipment. The total increase in the current year property and equipment additions in the amount of \$2,904,155 is mostly attributable to the *Buildings & Improvements in Progress* account. That account balance was \$3,199,833 at June 30, 2017, an increase of \$2,188,401 at year-end. The Collector 1 Rehabilitation Project for \$2,606,777 comprises the bulk of the *Buildings & Improvements in Progress* account balance.

<b>TABLE 3 PROPERTY AND EQUIPMENT</b>				
	FY 2016-17	FY 2015-16	Change	
			\$	%
Buildings	\$1,709,024	\$1,593,110	\$115,914	7.28%
Equip - Auto/Mobile/Office/Radio/Tools	\$2,827,168	\$2,533,155	\$294,013	11.61%
Water System Infrastructure (excludes land)	\$55,368,978	\$55,063,151	\$305,827	0.56%
<b>Total Property and Equipment</b>	<b>\$59,905,170</b>	<b>\$59,189,416</b>	<b>\$715,754</b>	<b>1.21%</b>
Less Accumulated Depreciation	(\$40,154,301)	(\$38,978,980)	(\$1,175,321)	3.02%
Add Projects in Progress	\$3,199,833	\$1,011,432	\$2,188,401	216.37%
<b>Total Property &amp; Equipment (net of depr)</b>	<b>\$22,950,702</b>	<b>\$21,221,868</b>	<b>\$1,728,834</b>	<b>8.15%</b>

**LONG-TERM DEBT**

At June 30, 2017 year-end, the District has two long-term notes payable outstanding for a total amount of \$4,241,775. The first has an outstanding balance of \$3,557,690. This is the SRF Loan used to finance the Turbidity Reduction Facility. The SRF loan carries no interest (i.e. zero percent), and has a repayment term of 20 years. The initial SRF loan balance at its inception in 2004 was \$10,946,736. The debt service for the SRF Loan is paid in its entirety by the District's wholesale municipal customers in accordance with the wholesale water contracts (via Price Factor 1).

The second note payable has an outstanding balance of \$684,085. This is the Water System Improvement Loan or U.S. Bank loan, used to finance various improvements to the water system consisting generally of well and pump improvements, and pipeline replacement. The U.S. Bank loan carries interest at 2.63%, and has a repayment term of 10 years. The District makes semi-annual payments of \$81,094 including principal and interest to U.S. Bank, for a resulting annual payment of \$162,188. The Water System Improvement loan balance at its inception in 2011 was \$1,418,000. The debt service for the Water System Improvement Loan is paid in its entirety by the District's wholesale municipal customers in accordance with the wholesale water contracts (via Price Factor 2).

**DESCRIPTION OF CURRENTLY KNOWN FACTS OR CONDITIONS THAT MAY HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS**

**Pulp Mill Closure**

On October 15, 2008 (FY2008-09), the District's only industrial customer, Evergreen Pulp, shut down its pulp mill. The pulp mill was sold on February 6, 2009 to Samoa Acquisition Corporation (SAC). The District had an interim agreement with the new owner until April 30, 2009. The District shut off the water supply to the mill on May 1, 2009. The mill is not expected to reopen in the foreseeable future. This industrial property was recently acquired by the Humboldt Bay Harbor Recreation and Conservation District for development.

The mill had been paying 45% of the District's operation, maintenance, and capital expenditure costs associated with all aspects of the regional water supply except for the drinking water treatment facilities. For 2008-09, the mill's contribution to the cost of the regional water system would have been approximately \$1.1 million.

Under the terms of the District's Ordinance 16 contracts, costs were shifted to the remaining wholesale customers (seven municipal agencies) beginning April 1, 2009. Whereas the municipalities had previously been paying 55% of costs, they now pay 100%.

In order to replace the revenue that was being generated by its former industrial customers, the District continues to search for possible new customers or uses for the water that is now available. Any water use options that are deemed feasible will likely take several years to implement.

### **Capital Improvement Program**

The District has implemented a substantial capital improvement program (CIP) given the age of its infrastructure (50 years). Mechanisms to finance CIP projects include pursuing grant funding, issuing new long-term debt, and working with wholesale municipal customers to increase revenues through water rates.

The first completed large infrastructure project undertaken was the Ranney Collector #3 Rehabilitation project. For financing purposes this was bundled with the Techite Pipeline Replacement project. Total projected funding needs of \$5,165,000 were met using a combination of Federal Emergency Management Agency (FEMA) grant funding, reserve funds, advance charges collected from the municipal customers, and bank loan.

The Emergency Intertie project was a multijurisdictional project led by the District. The project partners are: HBMWD, the City of Arcata, the City of Eureka and the McKinleyville Community Services District. This project installed new water transmission interconnections between the agencies to allow for water supply redundancy in the event of a supply line disruption. A State of California Department of Public Health Proposition 50 grant in the amount of \$3,648,550 was received for this project. The construction was completed during FY2014-15 and the assets created via this construction project were transferred to the respective agencies in accordance with the terms and conditions of the Special Facilities Agreement (May 3, 2013).

The next significant infrastructure project is the replacement of the 1MG domestic reservoir roof. This tank has been in service for almost fifty years and is showing signs of stress and corrosion. This project replaces the entire roof and repaints the reservoir to extend its' life another 40-50 years. Begun during the FY2016-17 year, this project will be completed in FY2017-18. Funding for this project was a combination of advance charges collected from the municipal customers and by the District through water rates.

Another large project is the replacement of the District's pipeline that crosses over the Mad River to serve the City of Blue Lake and the Fieldbrook-Glendale Community Services District. The project cost is estimated to be \$3,573,000 in current dollars. For this project, the District has been awarded a State of California Department of Water Resources Proposition 84 grant via the North Coast Integrated Regional Water Management Plan in the amount of \$700,000. Similar to the Techite Replacement project (above), the District has received a FEMA Hazard Mitigation grant in the amount of \$2,679,750. Any shortfall will be funded by the District through financing and/or water rates. This project is scheduled to go out to bid in FY2017-18 and be completed in FY2018-19.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have a question about this report or need additional financial information, contact the Business Manager or General Manager at Humboldt Bay Municipal Water District, 828 Seventh Street, Eureka, California, 95501.

BASIC FINANCIAL STATEMENTS

DRAFT

Humboldt Bay Municipal Water District  
STATEMENT OF NET POSITION

June 30, 2017

(With Comparative totals for June 30, 2016)

SECTION J2C, PAGE NO. 15

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and investments	\$ 1,303,374	\$ 2,252,121
Restricted cash and investments:	3,906,466	3,023,699
Total cash and investments	<u>5,209,840</u>	<u>5,275,820</u>
Accounts receivable	609,814	573,195
Interest receivable	12,265	20,985
Grants Receivable	183,038	27,953
Inventory	47,153	74,637
Prepaid items	135,385	101,196
Total current assets	<u>6,197,495</u>	<u>6,073,786</u>
Capital assets:		
Non-depreciable assets	4,571,805	2,383,404
Depreciable assets (net of depreciation)	19,750,869	20,210,436
Total assets	<u>30,520,169</u>	<u>28,667,626</u>
<u>DEFERRED OUTFLOWS</u>		
Deferred outflows related to pensions	<u>957,042</u>	<u>408,002</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	212,032	205,694
Compensated absences	284,539	273,853
Accrued expenses	134,308	135,827
Unearned income	-	30,005
Total current liabilities	<u>630,879</u>	<u>645,379</u>
Long-term liabilities:		
Due within one year	692,482	688,737
Due in more than one year	3,549,293	4,241,841
Other post-employment benefits	796,174	770,816
Net pension liability	<u>2,602,142</u>	<u>2,002,310</u>
Total long-term liabilities	<u>7,640,091</u>	<u>7,703,704</u>
Total liabilities	<u>8,270,970</u>	<u>8,349,083</u>
<u>DEFERRED INFLOWS</u>		
Deferred inflows related to pensions	<u>150,136</u>	<u>176,864</u>
Net position:		
Invested in capital assets, net of related debt	20,080,839	17,663,262
Restricted for debt service	708,671	707,178
Restricted for capital projects	1,765,845	1,269,406
Restricted for credits to municipalities	445,412	403,085
Unrestricted	55,338	506,750
Total net position	<u>\$ 23,056,105</u>	<u>\$ 20,549,681</u>

The accompanying notes are an integral part of these financial statements.



Humboldt Bay Municipal Water District  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

SECTION DC, PAGE NO. 16

For the Year Ended June 30, 2017  
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Operating revenues:		
Municipal customer water sales	\$ 5,632,597	\$ 5,165,118
Retail customer water sales	346,328	301,455
Debt service receipts	547,337	547,337
Total water sales	6,526,262	6,013,910
Power sales	270,828	145,889
Other operating revenues	18,674	18,753
Total operating revenues	6,815,764	6,178,552
Operating expenses:		
Salaries and benefits	2,883,081	2,744,008
Employee retirement contributions	432,030	(108,581)
Power and pumping	688,010	648,184
Engineering	108,895	272,303
Materials and supplies	133,534	69,677
Repairs and maintenance	178,873	144,612
Auto and travel expenses	37,523	46,380
Insurance	89,601	99,675
Legal and accounting fees	25,780	42,696
Professional assistance	82,115	80,866
Tax and license	113,922	117,262
Training	61,569	39,004
Bad debt	215	233
Other operating expenses	164,521	156,644
Depreciation	1,246,326	1,209,226
Total operating expenses before reimbursements	6,245,995	5,562,189
Reimbursements for services and costs	(249,247)	(218,540)
Total operating expenses	5,996,748	5,343,649
Operating income (loss)	819,016	834,903
Non-operating revenues (expenses):		
Tax revenues	864,605	855,435
Grant revenues	794,249	12,016
Interest revenues	46,829	33,553
Interest expense	(18,275)	(24,459)
Total non-operating revenues (expenses)	1,687,408	876,545
Changes in net position	2,506,424	1,711,448
Net position, beginning of period	20,549,681	18,838,233
Net position, end of period	\$ 23,056,105	\$ 20,549,681

The accompanying notes are an integral part of these financial statements.

## Humboldt Bay Municipal Water District

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

SECTION J2C, PAGE NO. 17

(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Receipts from customers	\$ 6,779,145	\$ 6,378,675
Payments to suppliers	(1,407,098)	(1,836,346)
Payments to employees	(3,315,111)	(2,852,589)
Net cash provided (used) by operating activities	<u>2,056,936</u>	<u>1,689,740</u>
Cash flows from non-capital financing activities:		
Taxes and assessments	<u>864,605</u>	<u>855,435</u>
Net cash provided (used) by non-capital financing activities	<u>864,605</u>	<u>855,435</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,975,156)	(1,037,707)
Receipts of capital grants	639,164	502,995
Interest expense	(18,275)	(24,607)
Payment on current portion of bonds	(688,803)	(685,065)
Net cash provided (used) by capital and related financing activities	<u>(3,043,070)</u>	<u>(1,244,384)</u>
Cash flows from investing activities:		
Interest earned	<u>55,549</u>	<u>17,976</u>
Net cash provided by investing activities	<u>55,549</u>	<u>17,976</u>
Net increase (decrease) in cash and cash equivalents	(65,980)	1,318,767
Cash and cash equivalents - beginning of period	<u>5,275,820</u>	<u>3,957,053</u>
Cash and cash equivalents - end of period	<u>\$ 5,209,840</u>	<u>\$ 5,275,820</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	\$ 819,016	\$ 834,903
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,246,326	1,209,226
Changes in certain assets and liabilities:		
Accounts receivable	(36,619)	200,123
Inventory	27,484	(2,961)
Prepaid items	(34,189)	(1,620)
Accounts payable	6,334	(57,567)
Accrued expenses	(1,519)	(10,009)
Compensated absences	10,686	1,916
Deferred outflows	(549,040)	(146,372)
Deferred inflows	(26,728)	(382,390)
Net pension liability	599,832	32,676
Other post employment benefits	25,358	11,815
Unearned income	<u>(30,005)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 2,056,936</u>	<u>\$ 1,689,740</u>

The accompanying notes are an integral part of these financial statements.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt Bay Municipal Water District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in GASB pronouncements. The Board of Directors are elected by the public and have the decision-making authority to levy taxes, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Nature of Activities

The District is a state-authorized special purpose government established to provide water services to the Humboldt Bay region. It was formed in 1956 under provisions of the Municipal Water District Act of 1911. The District provides retail water service to residential customers, and it contracts with seven municipal agencies for the purchase of treated domestic water for resale.

C. Basis of Presentation

The financial statements required by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 63, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District utilizes an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds account for goods or services that are provided to outside parties. The District has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to the timing of the recognition of revenues and expenditures in the accounts and their reporting in the financial statements.

Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (concluded)

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's practice to first use specifically designated restricted resources before using unrestricted resources.

E. Allowance for Doubtful Accounts

The District evaluates the collectability of water sales and grants receivable in order to determine the allowance for doubtful accounts. As of June 30, 2017, the District determined that the various receivables are fully collectible and recorded \$0 for the allowance for doubtful accounts. Based on historical experience, the District does not expect amounts to become uncollectible, however if they are, they will be charged to operations as a bad debt expense. The impact of any bad debt expense recorded in the future is expected to be immaterial to the financial statements.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs - other than quoted prices included within level 1 - that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Humboldt County Treasurer's Investment Pool. Investments are reported at fair value. The County Pool is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the County Pool is the same as the fair value of the pool shares.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fair Value Hierarchy (concluded)

State statutes authorize the District to invest in obligations of the U.S. Treasury, Federal Agency obligations, commercial paper, the LAIF and other instruments. The Loan and Installment Agreement underlying the issuance of Loans and Installment Purchase Agreements authorize permitted investments consistent with the State of California Government Code but broader in scope than the District's usual investment practices.

The District accounts for cash equivalents in the Humboldt County Treasurer's Investment Pool and the LAIF Pool at cost. Management considers the difference between book value and fair value immaterial. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. Capital Assets

Capital assets are defined as assets with an initial cost of \$1,000 and projects costing \$5,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets that individually may be below threshold amounts are capitalized if collectively they are above the threshold amount.

Additions to and replacements of capital assets are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction, when significant. The costs of betterments or repairs that extend the life of a capital asset are added to capital accounts.

Depreciation of all exhaustible capital assets is charged as an expense against operations, with accumulated depreciation reflected in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Dam, pipeline, buildings, water collection system, South Bay extension, Fieldbrook extension, Blue Lake extension, Lindley extension, Essex diversion, hydro plant penstock and piping	40 Years
Pump station and related facilities	10 - 40 Years
Hydro plant turbine and generators	20 Years
Tools and shop equipment, office equipment, pipeline connections, and hydro switchgear and controls	10 Years
Radio communication system and computers	5 Years
Vehicles	5 - 10 Years
Supplemental construction - except valves	40 Years
Supplemental construction - valves	20 Years

I. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Investments

The District's adopted investment policy seeks to promote the safety of principal, provide adequate liquidity for operational needs, earn market rates of return on investments consistent with liquidity needs and investment quality, and conform to legal requirements.

The District follows the authority governing investments for municipal governments set forth in the California Government Code, Sections 53601 through 53686. The Code authorizes the District to invest in obligations of the U.S. Treasury in the form of notes, bonds, bills or instruments for which the faith and credit of the United States are pledged for payment. The District may also invest in registered treasury notes, or bonds of the State of California and commercial paper of "prime" quality as defined by California Government Code Section 53635 and as rated by Standard and Poors Corporation or Moody's Commercial Paper Record.

The District's investment policy states that the District will structure its portfolio to meet cash requirements for ongoing operations thereby avoiding the need to sell securities prior to their maturity. The policy does not place formal limits on investment maturities.

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by creditors, grantors, laws, or regulations. The District has restricted net position for debt service, advance charges related to capital projects per contracts, and for revenue credits to the seven municipal customers per Ordinance 16.

Unrestricted net position - consists of all other net position that does not meet the definition of "net investment in capital assets" or "restricted net position" and is available for general use by the District. A net position deficit of \$691,150 exists at June 30, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Property Taxes

The lien date for secured property taxes is March 1 of each year. Taxes are levied as of July 1 on all secured real property and are due and payable November 1 and February 1 of the following fiscal year. Humboldt County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation.

Since the passage of California Proposition 13, beginning with fiscal year 1978-79, taxes are based either on a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment. Assessed values on properties (exclusive of increases related to sales transactions and improvements) can rise at a maximum of 2% per year. The amount collected by the County is distributed in accordance with State law to the various public agencies. Therefore, the District does not levy a specific tax rate but receives a share of the property tax revenue based on State formula. The District's tax rate is \$1.00/\$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted by the County. Under this plan, the county auditor/controller distributes 100 percent of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

N. Restricted Assets

Assets that are restricted as to withdrawal or use for other than current operations, for the liquidation of long-term debts or for expenditure in the acquisition or construction of capital assets are separately reported as restricted assets and not as current assets.

O. Pension

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publically available reports that can be obtained.



Humboldt Bay Municipal Water District  
NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT

Cash, cash equivalents, and investment at June 30, 2017, consist of the following:

	2017	2016
Cash:		
Demand accounts	\$ 967,686	\$ 455,837
State Treasurer's Pool (LAIF)	1,611	1,600
County investment pool	334,077	1,794,684
Total	\$ 1,303,374	\$ 2,252,121
	2017	2016
Restricted cash:		
U.S. Bank demand accounts	\$ 708,671	\$ 707,646
County investment pool	3,197,795	2,316,053
Total	\$ 3,906,466	\$ 3,023,699

The U.S. Bank commercial checking account balances are carried at cost. One of the U.S. Bank money market accounts is restricted for servicing the Safe Drinking Water State Revolving Fund (SRF) loan (see Note 7). The District transfers \$136,834 quarterly from a fund in the Humboldt County Treasurer's Investment Pool to the restricted U.S. Bank money market account. U.S. Bank, acting as a fiscal agent, administers the semiannual loan payments for a total annual payment of \$547,337.

Restricted cash and cash equivalents include restrictions imposed by creditors, grantors, laws, regulations, and designations imposed by the Board of Directors. Restricted cash and cash equivalents in the Humboldt County Treasurer's Investment Pool are as follows:

	2017	2016
Restricted for debt service	\$ 48,785	\$ 48,190
Restricted for municipalities	465,452	431,103
Restricted for capital projects	2,683,558	1,836,760
Total restricted cash in County Pool	\$ 3,197,795	\$ 2,316,053

Custodial Credit Risk - Deposits:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of a counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal depository insurance.

All monies in the Humboldt County Treasurer's Pool are not evidenced by specific securities; and therefore are not subject to custodial credit risk. The average number of days to maturity for investments in the County Pool is 644 days.

Humboldt Bay Municipal Water District  
NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

SECTION Jac, PAGE NO. 24.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT (concluded)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2017:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
Demand Accounts	\$ -	\$ -	\$ 1,676,357	\$ 1,676,357
State Treasurer's Pool (LAIF)	-	1,611	-	1,611
County investment pool	-	3,531,872	-	3,531,872
Total Investments	<u>\$ -</u>	<u>\$ 3,533,483</u>	<u>\$ 1,676,357</u>	<u>\$ 5,209,840</u>

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Humboldt County Treasurer's Pool and LAIF are classified in Level 2 of the fair value hierarchy, is valued using quoted prices for a non-active market portfolio at fiscal year-end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable from customers at June 30, 2017, consist of the following:

Resale customers	
City of Eureka	\$ 226,858
City of Arcata	95,286
Humboldt CSD	76,769
McKinleyville CSD	76,336
Others	23,535
Subtotal resale customers	498,784
Maintenance and operations charges to others	66,681
Domestic customers and others	18,228
Hydroelectric sales, Pacific Gas and Electric	26,121
Total accounts receivable	<u>\$ 609,814</u>

NOTE 4 - LAND

Land at June 30, 2017, consists of land and land rights of the General District, South Bay Water extension, and District No. U-1. There were no changes in land during the year ended June 30, 2017.

Humboldt Bay Municipal Water District  
NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

NOTE 5 - PROPERTY AND EQUIPMENT

Changes in property and equipment during the year ended June 30, 2017, are as follows:

	Balance at 07/01/16	Additions	Deletions	Balance at 6/30/17
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,371,972	\$ -	\$ -	\$ 1,371,972
Construction in progress	<u>1,011,432</u>	<u>2,952,754</u>	<u>764,353</u>	<u>3,199,833</u>
Total capital assets, not being depreciated	<u>2,383,404</u>	<u>2,952,754</u>	<u>764,353</u>	<u>4,571,805</u>
Capital assets, being depreciated:				
Buildings and improvements	1,593,110	115,914	-	1,709,024
Equipment	2,533,155	365,015	71,002	2,827,168
Water System Infrastructure	39,121,074	218,693	-	39,339,767
Ruth Lake Infrastructure	10,587,179	87,134	-	10,674,313
District No. U -1	<u>5,354,898</u>	<u>-</u>	<u>-</u>	<u>5,354,898</u>
Total capital assets, being depreciated	<u>59,189,416</u>	<u>786,756</u>	<u>71,002</u>	<u>59,905,170</u>
Total accumulated depreciation	<u>(38,978,980)</u>	<u>(1,246,323)</u>	<u>(71,002)</u>	<u>(40,154,301)</u>
Total capital assets being depr. - net	<u>20,210,436</u>	<u>(459,567)</u>	<u>-</u>	<u>19,750,869</u>
Capital assets - net	<u>\$ 22,593,840</u>	<u>\$ 2,493,187</u>	<u>\$ 764,353</u>	<u>\$ 24,322,674</u>

Total depreciation expense charged to operations for the year ended June 30, 2017, was \$1,246,326. All capital assets are depreciable except land and projects in progress.

NOTE 6 - COMPENSATED ABSENCES

Compensated absences consist of estimates of future obligations relating to accumulated unpaid vacation and sick leave compensation. There are predetermined limits to the amount of vacation and sick leave hours that can be accumulated by an employee. The District will pay the employee at the end of each calendar year for any excess vacation time accumulated that year.

Upon retirement, an employee will receive compensation for unused accumulated vacation. The employee also has the option under the District's California Public Employees' Retirement System (CalPERS) contract to convert 100% of the unused sick leave accrual to CalPERS service credit, or to receive a 35% cash payment and convert the remainder to CalPERS service credit. However, if an employee with less than ten years of employment terminates or retires, the unused accumulated sick leave is not eligible for compensation or CalPERS service credit conversion. Compensated absences payable as of June 30, 2017 was \$284,539.



Humboldt Bay Municipal Water District  
NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

NOTE 7 - LONG-TERM NOTES PAYABLE

The following is a summary of changes in long-term debt as of June 30, 2017:

	Balance at 07/01/16	Increase	Decrease	Balance at 6/30/17	Current
California Safe Drinking Water State Revolving Fund (SRF) Note	\$ 4,105,026	\$ -	\$ 547,336	\$ 3,557,690	\$ 273,668
Water System Improvement Loan	825,525	-	141,440	684,085	145,145
Compensated absences	273,853	10,686	-	284,539	-
Other post-employment benefits	770,816	25,358	-	796,174	-
Total	<u>\$ 5,975,220</u>	<u>\$ 36,044</u>	<u>\$ 688,776</u>	<u>\$ 5,322,488</u>	<u>\$ 418,813</u>

California Safe Drinking Water State Revolving Fund (SRF) Note

The District has a loan with the California Department of Water Resources (acting on behalf of the California Department of Health Services) under the provisions of the California SRF Law of 1997. The proceeds of the SRF loan were used to finance the construction of the Turbidity Reduction Facility. The loan, which matures in January of 2024, carries no interest and has a repayment term of 20 years. The District pays \$547,337 annually in two semiannual payments. A U.S. Bank money market account is restricted for servicing the loan. The debt service for the loan is paid in its entirety by the District's municipal customers. Future debt service on the loan is:

Year Ending June 30	Principal	Interest	Total
2018	\$ 273,668	-	\$ 273,668
2019	547,337	-	547,337
2020	547,337	-	547,337
2021	547,337	-	547,337
2022	547,337	-	547,337
2023	547,337	-	547,337
2024	547,337	-	547,337
Total	<u>\$ 3,557,690</u>	<u>\$ -</u>	<u>\$ 3,557,690</u>

Water System Improvement Loan

The District has a loan, which matures in September of 2021, with Municipal Finance Corporation (MFC) to finance various capital improvements to the water supply system. Under the ten-year installment sales agreement, the District is obligated to pay semiannual installment payments of principal and interest at the rate of 2.63% per annum on the unpaid principal balance. MFC assigned its rights to receive and enforce the payments under the agreement to U.S. Bank. The debt service for the loan is paid in its entirety by the District's municipal water customers. Future debt service on the loan is:

Year Ending June 30	Principal	Interest	Total
2018	\$ 145,145	\$ 17,043	\$ 162,188
2019	148,987	13,201	162,188
2020	152,931	9,257	162,188
2021	156,981	6,222	163,203
2022	80,041	1,053	81,094
Total	<u>\$ 684,085</u>	<u>\$ 46,776</u>	<u>\$ 730,861</u>

Net position restricted for debt service for the years ended June 30, 2017 was \$708,671.

NOTE 8 - WHOLESALE WATER CONTRACTS

The District is primarily a wholesale water provider. The District's Ordinance 16 as amended in June 2006 and June 2016 establishes rates, charges, and conditions of service for water sales to the municipal water customers. The costs of constructing, operating, maintaining, repairing and replacing the water treatment facilities and maintaining reasonable reserves are allocated among the municipal customers.

The District has long-term contracts with its seven municipal wholesale customers governing wholesale rates, charges and conditions of service. These seven contracts were recently amended including a new twenty-year term with a ten-year renewal option. The new contracts are effective July 1, 2017 and include the following seven municipal wholesale customers:

- City of Arcata
- City of Blue Lake
- City of Eureka
- Fieldbrook-Glendale Community Services District
- Humboldt Community Services District
- McKinleyville Community Services District
- Manila Community Services District

The District lost its last large industrial customer in February 2009. Beginning April 1, 2009, all costs for the regional water system associated with operation, maintenance, and capital expenditure were shifted to the seven municipal customers. Whereas the municipalities had previously been paying 55% of costs, they currently pay 100%. The rate structure is based on "Price Factor" formulas which proportionally allocates the operating, maintenance and capital costs of the District to each of the wholesale customers. Municipal customers are billed monthly for water usage based on their share of such operating, maintenance and capital costs.

Most revenues received by the District, other than those associated with wholesale water sales, are credited back to the wholesale municipal customers. These revenues include property tax revenues, power sales, interest income, retail water service revenues and other miscellaneous revenues. The revenue credit is applied ratably on a monthly basis during the course of the year.

The seven wholesale municipal customers are initially billed based on the District's approved budget, with the costs spread out evenly across the fiscal year. At year-end, the budgeted costs are reconciled with actual costs. Any underpayments or overpayments are divided into even monthly installments and applied to the municipalities' billing during the course of the following year. As June 30, 2017, the municipal customers overpaid \$445,412, for operating, maintenance, and capital costs. Overpayments in the amount of \$611,648 were credited to the municipalities' 2016/2017 billings. At June 30, 2017, total net position restricted for credits to the municipalities was \$445,412.

The municipal water customers may be charged in advance in order to fund future capital projects. For the year ended June 30, 2017, the municipal customers had balances in advance charges of \$1,765,845 for improvement projects.

Additions to the District's general reserves may be charged to the wholesale customers should the District need to replenish its general reserve level. For the year ended June 30, 2017, the District charged the wholesale customers \$200,000.

NOTE 8 - WHOLESALE WATER CONTRACTS (concluded)

During the fiscal year ended June 30, 2017, the contracts with the municipal customers were amended. The District's Ordinance 16 included a provision that limits capital expenditures. Based on the District's development and implementation of its Capital Improvement Plan (CIP), this limit was no longer practical. To address this and to reduce the need for large fluctuations in costs to the municipalities, the limit on capital expenditures was replaced with a quinquennial update for the Capital Improvement Plan beginning in 2017. This process includes providing a copy to the individual municipalities no later than February 28 for their use in their own budget planning, analysis and updates of water rates. An additional change with the amended contracts includes revising the schedule for the quinquennial revision of the Peak Rate Allocation to commence again on July 1, 2017 (to address revenue changes in 2016 in the Manila Community Services District).

NOTE 9 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employee or other beneficiary) placed in trust for the benefit of the participants or their beneficiaries, and are not the assets of the District.

Effective January 1, 2013, the District contributes \$25 per month for each employee who is not currently participating in the deferred compensation program. The District will provide a contribution match of up to \$100 per month for employees who are participating in the deferred compensation program.

The District has a fiduciary responsibility to the participating employees in administration of the plan, but is not liable for losses arising from depreciation or other declines in the value of the plan assets.

NOTE 10 - PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

NOTE 10 - PENSION PLAN (continued)

A. General Information about the Pension Plan (concluded)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous 1<sup>st</sup> Tier</u>	<u>Miscellaneous PEPRA</u>
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire date	2% @ 55	2% @ 62
Benefit formula	5 years service monthly for life	5 years service monthly for life
Benefit vesting schedule	50 – 63	52 - 67
Benefit payments	1.426% to 2.418%	1.0% to 2.5%
Retirement age	7.000%	6.250%
Monthly benefits, as a % of annual salary	8.377%	6.555%
Required employee contribution rates		
Required employer contribution rates		

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The District's required contribution for the unfunded liability was \$170,965 for the fiscal year ended June 30, 2017

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District's contributions to the plan recognized as a part of pension expense for the year ended June 30, 2017 were \$408,926.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$2,602,142.

Humboldt Bay Municipal Water District  
NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

NOTE 10 - PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions  
 (concluded)

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

<u>District's Miscellaneous Plan</u>	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.0730%
Proportion - June 30, 2016	0.0749%
Change – Increase (Decrease)	0.0019%

For the year ended June 30, 2017, the District recognized pension expense of \$408,926. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 408,926	\$ -
Changes in assumptions	-	90,664
Differences between actual and expected experience	9,583	2,196
Net differences between projected and actual earning on plan investments	471,875	-
Change in employer's proportion	13,444	38,529
Net differences between the employer's actual contributions and the employer's proportionate share of contributions	53,214	18,747
Total	\$ 957,042	\$ 150,136

\$408,926 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		
2016	\$	16,893
2017		30,141
2018		228,724
2019		122,222
2020		-
Thereafter		-



NOTE 10 - PENSION PLAN (continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% <sup>(1)</sup>
Investment Rate of Return	7.5% <sup>(2)</sup>
Mortality	Derived from CalPERS Membership Data for all Funds <sup>(3)</sup>

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can found on the CalPERS website.

Change of Assumptions

GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 10 - PENSION PLAN (continued)

D. Discount Rate (concluded)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. Using historical returns on all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10<sup>(1)</sup></u>	<u>Real Return Years 11+<sup>(2)</sup></u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55)%	(1.05)%
Total	<u>100.00%</u>		

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$4,097,953
Current Discount Rate	7.65%
Net Pension Liability	\$2,602,142
1% Increase	8.65%
Net Pension Liability	\$1,365,928

E. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10 - PENSION PLAN (concluded)

F. Payable to Pension Plan

The District did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The District provides a defined benefit healthcare plan (the "Retiree Health Plan"). The District shoulders a certain percentage of eligible retirees' actual costs subject to a maximum of \$640 per month.

The duration of retiree benefits provided by the District depends on the date an employee was hired by the District. For all full-time regular employees hired by the District prior to July 8, 2004, the District will pay the medical costs premium during the life of a retiree subject to a maximum of \$640 per month.

For all full-time regular employees hired by the District after July 8, 2004, the District will pay 100% of the medical cost premium during retirement, subject to a maximum of \$640 per month, for a maximum of 10 years or until the retiree reaches age 65, whichever comes first.

All health plan participants are on a group plan rate. In addition to the District's actual costs, the District is required to recognize an implicit subsidy since the District allows its retirees to participate in the plan. The difference between the group plan rate that the retiree must pay and the actual or estimated individually rated premium for the retiree is the implicit rate subsidy (because the retiree continues to participate in the group plan, an implicit rate subsidy exists on the part of the employer).

B. Funding Policy

The District's Board of Directors will not be funding the plan in the current year but will follow a pay-as-you-go approach. The Board will review the funding requirements and policy annually.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:



Humboldt Bay Municipal Water District  
NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2017

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Annual OPEB Cost and Net OPEB Obligation (concluded)

	2017
Annual Required Contributions	\$ 132,292
Interest on Net OPEB Obligation	23,196
Adjustment to Annual Required Contribution	(29,584)
Annual OPEB cost (expense)	125,904
Implicit subsidy contributions	(29,994)
Contributions made	(70,552)
Increase in Net OPEB Obligation/(Asset)	25,358
Net OPEB Obligation – beginning of year	770,816
Net OPEB Obligation – end of year	\$ 796,174

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/14	\$ 228,416	\$ 59,475	26%	\$ 624,218
6/30/15	\$ 228,813	\$ 61,814	27%	\$ 759,001
6/30/16	\$ 126,021	\$ 71,362	56%	\$ 770,816
6/30/17	\$ 125,904	\$ 100,546	80%	\$ 796,174

D. Funding Status and Funding Progress

As of July 1, 2015, the actuarial accrued liability (AAL) for benefits was \$2,299,470, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (concluded)

E. Methods and Assumptions (concluded)

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

*Mortality* - Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

*Turnover* - The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

*Healthcare cost trend rate* - Healthcare cost trend rates were selected based on CalPERS Circular Letter No. 600-006-12. The ultimate trend rate was 3%.

*Health insurance premiums* - 2015 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

*Medicare Coordination* - Medicare was assumed as the primary payer for current and future retirees at age 65.

*Payroll increase* - Changes in the payroll for current employees are expected to increase at the rate of approximately 2% annually.

*Discount rate* - The calculation uses an annual discount rate of 3%. This is based on the assumed long-term return on plan assets or employer assets.

*Actuarial cost method* - The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years.

F. Plan for Funding

On an ongoing basis, the District will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for post-employment benefits out of interest earned on designated funds.

The schedule of funding progress, presented as required supplemental information following the notes to these financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial liabilities for benefits.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of loss is variable as to the deductible amount per occurrence. Liability losses up to \$1 million and property losses up to \$50,000, are covered through a pooled self-insurance program, administered by the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA). Through participation in ACWA-JPIA, the District is covered by commercial liability insurance for losses in excess of \$1 million, up to an insured maximum of \$60 million. Separately, the District insures for property damages in excess of the pooled limit of \$1 million, with commercial insurance for losses up to \$100 million.

The ACWA-JPIA began operations on October 1, 1979, and has continued without interruption since that time. The District is one of approximately two hundred and eighty-eight districts participating in the pool. The responsibilities of the ACWA-JPIA and the District are as follows:

Responsibilities of the ACWA-JPIA:

- a. Provide insurance coverage as necessary.
- b. Assist members in obtaining insurance coverage for risks not included within the coverage of the ACWA-JPIA.
- c. Assist each member's designated risk manager with the implementation risk management function.
- d. Provide loss prevention and safety consulting services to members as required.
- e. Provide claims adjusting and subrogation services for claims covered by the ACWA-JPIA's joint protection programs.
- f. Provide loss analysis and control in order to identify high exposure operations and to evaluate proper levels of self-retention and deductibles.
- g. Review members' contracts to determine sufficiency of indemnity and insurance provisions when requested.
- h. Conduct risk management audits to review the participation of each member in the programs.
- i. The ACWA-JPIA shall have such other responsibilities as deemed necessary by the Board of Directors and Executive Committee (of the ACWA-JPIA).

Responsibilities of the District:

- a. The governing board of each member district shall appoint a representative and at least one alternate representative to the Board of Directors.
- b. Each member shall appoint an employee of the member to be responsible for the risk management function within that member and serve as a liaison between the member and the ACWA-JPIA as to risk management.
- c. Each member shall maintain an active safety officer and/or committee, and shall consider all recommendations of the ACWA-JPIA concerning unsafe practices.
- d. Each member shall maintain its own set of records, including a loss log, in all categories of risk covered by the joint protection program to insure accuracy of the ACWA-JPIA's loss reporting system.
- e. Each member shall pay its deposit premium and premium adjustments within thirty days of the invoice date.
- f. Each member shall provide the ACWA-JPIA with such other information or assistance as may be necessary for the ACWA-JPIA to carry out the joint protection programs.
- g. Each member shall cooperate with and assist the ACWA-JPIA, and any insurer of the ACWA-JPIA, in all matters and covered claims and will comply with all bylaws, rules and regulations adopted by the Board of Directors and Executive Committee of the ACWA-JPIA.

There have been no significant reductions in insurance coverage from the prior year. The amounts of settlements have not exceeded the insurance coverage in each of the past three fiscal years.

NOTE 13 - CONTINGENCIES

The District receives, on a cost-reimbursement basis, federal and state funds to carry out a variety of projects and studies. As a recipient of federal and state funds, the District is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to these programs. All federal and state program expenditures are subject to financial and compliance audits by the awarding agency. Such audits could result in claims against the District for disallowed costs or noncompliance with contract provisions. No provision has been made for any liabilities which may arise from the noncompliance or questioned costs since the amounts, if any, cannot be determined at this time.

NOTE 14 - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through the date the financial statements were available to be issued, and concluded that no additional adjustments to the financial statements or disclosures are required for the year ending June 30, 2017.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

Humboldt Bay Municipal Water District  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
 Required Supplementary Information  
 Last 10 Years\*

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Proportion of the net pension liability	0.0788%	0.0730%	0.0749%
Proportionate share of the net pension liability	\$ 1,969,634	\$ 2,002,310	\$ 2,602,142
Covered payroll	\$ 1,692,541	\$ 1,746,146	\$ 1,730,351
Proportionate share of the net pension liability as a percentage of covered payroll	116.37%	114.67%	150.38%
Plan fiduciary net position as a percentage of the total pension liability	80.51%	80.90%	76.58%

NOTES TO SCHEDULE:

Changes in Benefit Terms - None

Changes in Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Humboldt Bay Municipal Water District  
SCHEDULE OF CONTRIBUTIONS  
 Required Supplementary Information  
 Last 10 Years\*

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Actuarially required contribution (actuarially determined)	\$ 253,791	\$ 386,697	\$ 408,926
Contributions in relation to the actuarially determined contributions	<u>253,791</u>	<u>386,697</u>	<u>408,926</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,746,146	\$ 1,730,351	\$ 1,901,128
Contributions as a percentage of covered-employee payroll	14.53%	22.35%	21.51%

\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

DRAFT

Humboldt Bay Municipal Water District  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS  
 Required Supplementary Information  
 Last 10 Years\*

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of Payroll ([a-b]/c)
July 1, 2009	\$ 1,994,945	\$ -0-	\$ 1,994,945	0%	\$ 1,520,676	131.2%
July 1, 2012	\$ 2,413,787	\$ -0-	\$ 2,413,787	0%	\$ 1,567,071	154.0%
July 1, 2015	\$ 2,299,470	\$ -0-	\$ 2,299,470	0%	\$ 1,930,233	119.1%

NOTE 1 - SCHEDULE DESCRIPTION

Humboldt Bay Municipal Water District (the District) sponsors a defined benefit postemployment healthcare plan (the Plan) to subsidize healthcare benefits to eligible retired employees. The above schedule presents information about the funded status for the Plan's two actuarial valuations.

NOTE 2 - ACTUARIAL VALUATIONS

Actuarial valuations of an on-going plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Information regarding the actuarial methods and assumptions for the July 1, 2015 actuarial valuation can be found in Note 11 of the basic financial statements.



OTHER SUPPLEMENTARY INFORMATION

DRAFT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Humboldt Bay Municipal Water District  
Eureka, California

We have audited the basic financial statements, as listed in the table of contents, of Humboldt Bay Municipal Water District as of and for the year ended June 30, 2017, and have issued our report thereon dated February 16, 2018. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humboldt Bay Municipal Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humboldt Bay Municipal Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Humboldt Bay Municipal Water District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt Bay Municipal Water District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Humboldt Bay Municipal Water District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humboldt Bay Municipal Water District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
February 16, 2018

DRAFT

To: Board of Directors  
From: Chris Harris  
Date: March 8, 2018  
Re: Diversified Portfolio options and Risk Tolerance for the PARS Trust

**Review**

During previous Board Meetings, the Board approved establishing an irrevocable trust fund administered by Public Agency Retirement Services (PARS). This trust is for the purpose of restricting and dedicating District funds to pre-fund the CalPERS Unfunded Pension Liability. There are three different components to the trust –

- 1) PARS - managing the “trust” itself
- 2) HighMark Capital Management - managing the trust fund portfolio
- 3) US Bank - holding the actual trust funds

During today’s Board Meeting, Mr. Andrew (Drew) Brown, CFA, Director of HighMark Capital Management, will be available via conference call to discuss and offer input to the Board regarding the different investment strategies available and the potential risk and gains of each for the District’s CalPERS Unfunded Pension trust portfolio.

*Mr. Brown is based in San Francisco and has been with HighMark since 1997 and is responsible for managing investment portfolios on behalf of high-net-worth investors, trusts, retirement plans, foundations, and non-profit organizations and also serves as a member of HighMark's Manager Review Committee. Andrew began his career in 1994 and had previously worked as a Japanese Equity Specialist at Wako Securities (America).<sup>1</sup>*

**Next Step**

Included with this Staff Report, the Board will find information for five different diversified portfolio plans: Conservative, Moderately Conservative, Moderate, Balanced, and Capital Appreciation. Mr. Brown will review the differences between the five portfolios and answer any questions. The goal is for the Board to be comfortable making an educated decision regarding an investment strategy for the District’s PARS Trust.

Staff has also prepared very simplified graphs to give the Board a visual example of the potential performance and the related fees of each of the five portfolio options over a ten-year timeframe. Staff used an initial investment assumption of \$500,000. These graphs are intended for illustrative purposes only, comparing the same contribution into the different portfolios over the same timeframe.

---

1

**Recommendation**

- Staff recommends the Board select an initial investment portfolio/risk tolerance level based on information and education provided by staff and received from Mr. Brown.
- Staff also recommends the Board direct staff to complete and sign the "*Investment Strategy Selection and Disclosure Form*" from US Bank for the PARS Pension/OPEB Trust Program

**Attached**

1. *Investment Strategy Selection & Disclosure Form* for US Bank
2. HighMark Capital Management – PARS Diversified Portfolios 4<sup>th</sup> Quarter - 2017 Annual Returns Reports
  - a. Conservative Portfolio
  - b. Moderately Conservative Portfolio
  - c. Moderate Portfolio
  - d. Balanced Portfolio
  - e. Capital Appreciation Portfolio
3. Comparative graphs for the five different portfolio options
4. HighMark Capital Management – Economic and Market Perspectives, 4<sup>th</sup> Quarter - 2017

# Investment Strategy Selection and Disclosure Form

## PARS Pension / OPEB Trust Program

■ This document is entered into by client and U.S. Bank National Association ("U.S. Bank"), as trustee.

■ Employer: Humboldt Bay Municipal Water District

■ Plan/Trust Name: Public Agencies Post-Employment Benefits Trust

■ To: HighMark Capital Management, Inc. and U.S. Bank:

U.S. Bank has been or is hereby appointed Investment Manager of the above-referenced Plan/Trust. Please invest the assets of the above-referenced Plan/Trust for which you have been appointed Investment Manager in the (select one of the strategies listed below for each Plan funded by the Trust):

DIVERSIFIED PORTFOLIOS

<input type="checkbox"/>	OPEB Account	<input type="checkbox"/>	Pension Account	Primary Goal	Strategic Range
<input type="checkbox"/>	Liquidity Management (US Treasury)	<input type="checkbox"/>	Liquidity Management (US Treasury)	Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations.	Money Market Fund
<input type="checkbox"/>	Liquidity Management (Prime Obligation)	<input type="checkbox"/>	Liquidity Management (Prime Obligation)	Generate current income with liquidity.	Money Market Fund
<input type="checkbox"/>	Conservative HighMark PLUS	<input type="checkbox"/>	Conservative HighMark PLUS	Provide a consistent level of inflation-protected income over the long-term.	Equity: 5-20% Fixed Income: 60-95% Cash: 0-20%
<input type="checkbox"/>	Conservative Index PLUS	<input type="checkbox"/>	Conservative Index PLUS		
<input type="checkbox"/>	Moderately Conservative HighMark PLUS	<input type="checkbox"/>	Moderately Conservative HighMark PLUS	Provide current income with capital appreciation as a secondary objective.	Equity: 20-40% Fixed Income: 50-80% Cash: 0-20%
<input type="checkbox"/>	Moderately Conservative Index PLUS	<input type="checkbox"/>	Moderately Conservative Index PLUS		
<input type="checkbox"/>	Moderate HighMark PLUS	<input type="checkbox"/>	Moderate HighMark PLUS	Provide current income and moderate capital appreciation.	Equity: 40-60% Fixed Income: 40-60% Cash: 0-20%
<input type="checkbox"/>	Moderate Index PLUS	<input type="checkbox"/>	Moderate Index PLUS		
<input type="checkbox"/>	Balanced HighMark PLUS	<input type="checkbox"/>	Balanced HighMark PLUS	Provide growth of principal and income.	Equity: 50-70% Fixed Income: 30-50% Cash: 0-20%
<input type="checkbox"/>	Balanced Index PLUS	<input type="checkbox"/>	Balanced Index PLUS		
<input type="checkbox"/>	Capital Appreciation HighMark PLUS	<input type="checkbox"/>	Capital Appreciation HighMark PLUS	Primary goal is growth of principal.	Equity: 65-85% Fixed Income: 10-30% Cash: 0-20%
<input type="checkbox"/>	Capital Appreciation Index PLUS	<input type="checkbox"/>	Capital Appreciation Index PLUS		
<input type="checkbox"/>	Custom	<input type="checkbox"/>	Custom	Refer to Investment Guidelines Document.	

**Note:** HighMark PLUS portfolios are diversified portfolios of actively managed mutual funds. Index PLUS portfolios are diversified portfolios of Index-based mutual funds or exchange-traded funds.

Acknowledged and Approved	
Signature of Authorized Signer	General Manager
<u>John Friedenbach</u>	Title of Authorized Signer
Print Name of Authorized Signer	Date

PARS DIVERSIFIED PORTFOLIOS  
**CONSERVATIVE**

Q4 2017

**WHY THE PARS DIVERSIFIED  
CONSERVATIVE PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

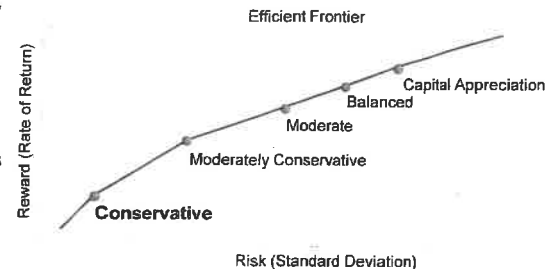
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



**ASSET ALLOCATION — CONSERVATIVE PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	15%
Fixed Income	60 – 95%	80%	79%
Cash	0 – 20%	5%	6%

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	1.17%	Current Quarter*	1.08%
Blended Benchmark**	1.00%	Blended Benchmark**	1.00%
Year To Date	6.73%	Year To Date	5.52%
Blended Benchmark	5.24%	Blended Benchmark	5.24%
1 Year	6.73%	1 Year	5.52%
Blended Benchmark	5.24%	Blended Benchmark	5.24%
3 Year	3.70%	3 Year	3.09%
Blended Benchmark	3.13%	Blended Benchmark	3.13%
5 Year	3.73%	5 Year	3.39%
Blended Benchmark	3.46%	Blended Benchmark	3.46%
10 Year	4.28%	10 Year	3.75%
Blended Benchmark	3.74%	Blended Benchmark	3.74%

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM FREE, 2% MSCI EAFE, 52.25% BC US Agg, 25.75% ML 1-3 Yr US Corp/Gov't, 2% US High Yield Master II, 0.5% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 12% S&P 500, 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp./Gov't, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

HighMark Plus (Active)		Index Plus (Passive)	
2008	-9.04%	2008	-6.70%
2009	15.59%	2009	10.49%
2010	8.68%	2010	7.67%
2011	2.19%	2011	3.70%
2012	8.45%	2012	6.22%
2013	3.69%	2013	3.40%
2014	3.88%	2014	4.32%
2015	0.29%	2015	0.06%
2016	4.18%	2016	3.75%
2017	6.73%	2017	5.52%

**PORTFOLIO FACTS**

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	07/2004	Inception Data	07/2004
No of Funds in Portfolio	19	No of Funds in Portfolio	13



## HOLDINGS

### HighMark Plus (Active)

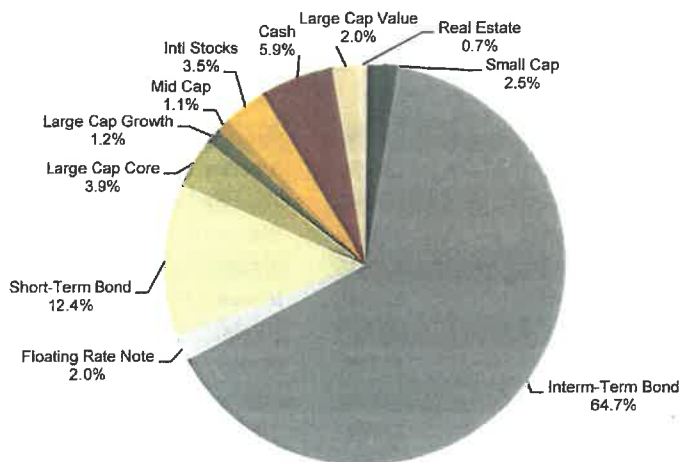
Columbia Contrarian Core Z  
 Vanguard Growth & Income Adm  
 Dodge & Cox Stock Fund  
 Harbor Capital Appreciation  
 T. Rowe Price Growth Stock  
 iShares Russell Mid-Cap ETF  
 Vanguard REIT ETF  
 Undiscovered Managers Behavioral Value  
 T. Rowe Price New Horizons  
 Nationwide Baird International Equities  
 Dodge & Cox International Stock  
 MFS International Growth I  
 Hartford Schroders Emerging Markets Eq  
 Vanguard Short-Term Invest-Grade Adm  
 PIMCO Total Return  
 Prudential Total Return  
 Nationwide Loomis Bond  
 Eaton Vance Floating Rate & High Income  
 First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
 iShares S&P 500/Value  
 iShares S&P 500/Growth  
 iShares Russell Mid-Cap ETF  
 Vanguard REIT ETF  
 iShares Russell 2000 Value  
 iShares Russell 2000 Growth  
 iShares MSCI EAFE  
 Vanguard FTSE Emerging Markets ETF  
 Vanguard Short-Term Invest-Grade Adm  
 iShares Core U.S. Aggregate  
 PowerShares Senior Loan  
 First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

## STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFJ Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFJ Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

## HIGHMARK CAPITAL MANAGEMENT

350 California Street  
 Suite 1600  
 San Francisco, CA 94104  
 800-582-4734

www.highmarkcapital.com

### ABOUT THE ADVISER

HighMark<sup>®</sup> Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

### ABOUT THE PORTFOLIO MANAGEMENT TEAM

**Andrew Brown, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 1994  
 HighMark Tenure: since 1997  
 Education: MBA, University of Southern California; BA, University of Southern California

**Salvatore "Tory" Milazzo III, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 2004  
 HighMark Tenure: since 2014  
 Education: BA, Colgate University

**J. Keith Stribling, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 1985  
 HighMark Tenure: since 1995  
 Education: BA, Stetson University

**Christiane Tsuda**  
 Senior Portfolio Manager  
 Investment Experience: since 1987  
 HighMark Tenure: since 2010  
 Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 1987  
 HighMark Tenure: since 2007  
 Education: BA, University of California, Santa Barbara

**Randy Yurchak, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 2002  
 HighMark Tenure: since 2017  
 Education: MBA, Arizona State University; BS, University of Washington

**Asset Allocation Committee**  
 Number of Members: 16  
 Average Years of Experience: 26  
 Average Tenure (Years): 13

**Manager Review Group**  
 Number of Members: 7  
 Average Years of Experience: 20  
 Average Tenure (Years): 7



PARS DIVERSIFIED PORTFOLIOS  
**MODERATELY CONSERVATIVE**

Q4 2017

**WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

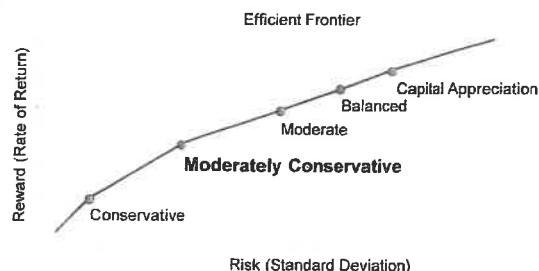
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



**ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	30%
Fixed Income	50 - 80%	65%	67%
Cash	0 - 20%	5%	3%

**ANNUALIZED TOTAL RETURNS**

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	1.94%	Current Quarter*	1.83%
Blended Benchmark**	1.87%	Blended Benchmark**	1.87%
Year To Date	9.56%	Year To Date	8.08%
Blended Benchmark	8.11%	Blended Benchmark	8.11%
1 Year	9.56%	1 Year	8.08%
Blended Benchmark	8.11%	Blended Benchmark	8.11%
3 Year	4.87%	3 Year	4.38%
Blended Benchmark	4.51%	Blended Benchmark	4.51%
5 Year	5.26%	5 Year	5.06%
Blended Benchmark	5.31%	Blended Benchmark	5.31%
10 Year	4.93%	10 Year	4.40%
Blended Benchmark	4.63%	Blended Benchmark	4.63%

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM FREE, 4% MSCI EAFE, 49.25% BC US Agg, 14% ML 1-3 Yr US Corp/Govt, 1.75% US High Yield Master II, 1% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 25% S&P 500, 1.5% Russell 2000, 3.5% MSCI EAFE, 25% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 30% S&P 500, 25% ML 1-3Yr Corp/Govt, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

HighMark Plus (Active)		Index Plus (Passive)	
2008	-15.37%	2008	-12.40%
2009	18.71%	2009	11.92%
2010	10.46%	2010	9.72%
2011	1.75%	2011	3.24%
2012	10.88%	2012	8.24%
2013	7.30%	2013	6.78%
2014	4.41%	2014	5.40%
2015	0.32%	2015	-0.18%
2016	4.93%	2016	5.42%
2017	9.56%	2017	8.08%

**PORTFOLIO FACTS**

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	08/2004	Inception Date	05/2005
No of Funds in Portfolio	19	No of Funds in Portfolio	13

## HOLDINGS

### HighMark Plus (Active)

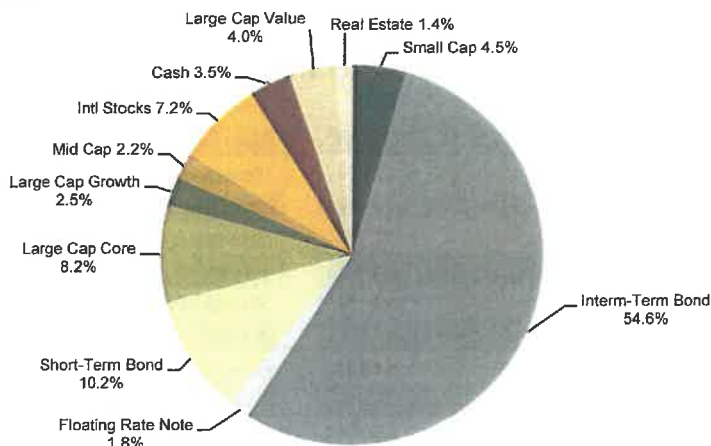
Columbia Contrarian Core Z  
 Vanguard Growth & Income Adm  
 Dodge & Cox Stock Fund  
 Harbor Capital Appreciation  
 T. Rowe Price Growth Stock  
 iShares Russell Mid-Cap ETF  
 Vanguard REIT ETF  
 Undiscovered Managers Behavioral Value  
 T. Rowe Price New Horizons  
 Nationwide Baird International Equities  
 Dodge & Cox International Stock  
 MFS International Growth I  
 Hartford Schroders Emerging Markets Eq  
 Vanguard Short-Term Invest-Grade Adm  
 PIMCO Total Return  
 Prudential Total Return  
 Nationwide Loomis Bond  
 Eaton Vance Floating Rate & High Income  
 First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
 iShares S&P 500/Value  
 iShares S&P 500/Growth  
 iShares Russell Mid-Cap ETF  
 Vanguard REIT ETF  
 iShares Russell 2000 Value  
 iShares Russell 2000 Growth  
 iShares MSCI EAFE  
 Vanguard FTSE Emerging Markets ETF  
 Vanguard Short-Term Invest-Grade Adm  
 iShares Core U.S. Aggregate  
 PowerShares Senior Loan  
 First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

## STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.56%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment at the end of each year, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.84 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUBG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUBG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

## HIGHMARK CAPITAL MANAGEMENT

350 California Street  
 Suite 1600  
 San Francisco, CA 94104  
 800-582-4734

www.highmarkcapital.com

### ABOUT THE ADVISER

HighMark<sup>®</sup> Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

### ABOUT THE PORTFOLIO MANAGEMENT TEAM

**Andrew Brown, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 1994  
 HighMark Tenure: since 1997  
 Education: MBA, University of Southern California; BA, University of Southern California

**Salvatore "Tory" Milazzo III, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 2004  
 HighMark Tenure: since 2014  
 Education: BA, Colgate University

**J. Keith Stribling, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 1985  
 HighMark Tenure: since 1995  
 Education: BA, Stetson University

**Christiane Tsuda**  
 Senior Portfolio Manager  
 Investment Experience: since 1987  
 HighMark Tenure: since 2010  
 Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 1987  
 HighMark Tenure: since 2007  
 Education: BA, University of California, Santa Barbara

**Randy Yurchak, CFA<sup>®</sup>**  
 Senior Portfolio Manager  
 Investment Experience: since 2002  
 HighMark Tenure: since 2017  
 Education: MBA, Arizona State University; BS, University of Washington

**Asset Allocation Committee**  
 Number of Members: 16  
 Average Years of Experience: 26  
 Average Tenure (Years): 13

**Manager Review Group**  
 Number of Members: 7  
 Average Years of Experience: 20  
 Average Tenure (Years): 7



PARS DIVERSIFIED PORTFOLIOS  
**MODERATE**

Q4 2017

**WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

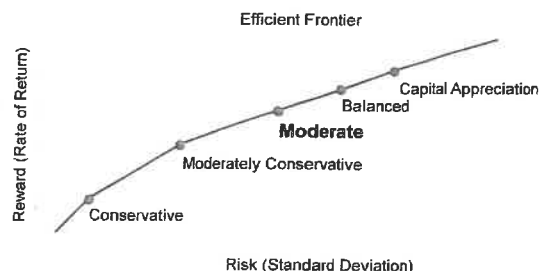
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



**ASSET ALLOCATION — MODERATE PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	50%
Fixed Income	40 - 60%	45%	47%
Cash	0 - 20%	5%	3%

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	2.97%	Current Quarter*	2.86%
Blended Benchmark**	2.95%	Blended Benchmark**	2.95%
Year To Date	13.19%	Year To Date	11.59%
Blended Benchmark	11.65%	Blended Benchmark	11.65%
1 Year	13.19%	1 Year	11.59%
Blended Benchmark	11.65%	Blended Benchmark	11.65%
3 Year	6.46%	3 Year	5.98%
Blended Benchmark	6.20%	Blended Benchmark	6.20%
5 Year	7.42%	5 Year	7.26%
Blended Benchmark	7.69%	Blended Benchmark	7.69%
10 Year	5.45%	10 Year	5.51%
Blended Benchmark	5.56%	Blended Benchmark	5.56%

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM FREE, 6% MSCI EAFE, 33.50% BC US Agg, 10% ML 1-3 Yr US Corp/Gov't, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 43% S&P 500, 2% Russell 2000, 5% MSCI EAFE, 15% ML 1-3 Year Corp./Gov't, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 50% S&P 500, 15% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

HighMark Plus (Active)		Index Plus (Passive)	
2008	-22.88%	2008	-18.14%
2009	21.47%	2009	16.05%
2010	12.42%	2010	11.77%
2011	0.55%	2011	2.29%
2012	12.25%	2012	10.91%
2013	13.06%	2013	12.79%
2014	4.84%	2014	5.72%
2015	0.14%	2015	-0.52%
2016	6.44%	2016	7.23%
2017	13.19%	2017	11.59%

**PORTFOLIO FACTS**

HighMark Plus (Active)		Index Plus (Passive)	
Inception Data	10/2004	Inception Data	05/2006
No of Funds in Portfolio	19	No of Funds in Portfolio	13

**HOLDINGS**

**HighMark Plus (Active)**

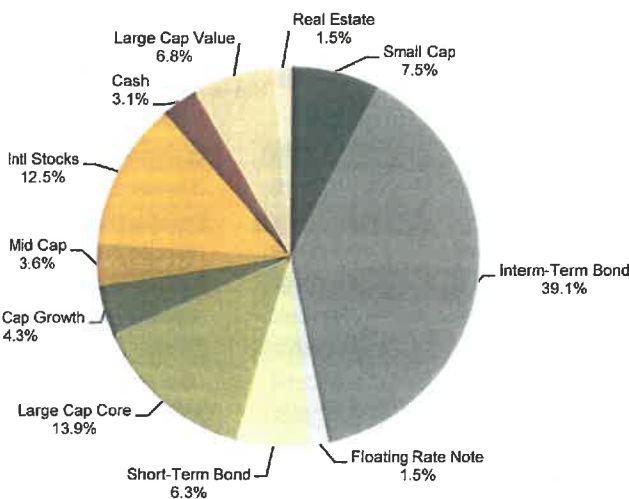
- Columbia Contrarian Core Z
- Vanguard Growth & Income Adm
- Dodge & Cox Stock Fund
- Harbor Capital Appreciation
- T. Rowe Price Growth Stock
- iShares Russell Mid-Cap ETF
- Vanguard REIT ETF
- Undiscovered Managers Behavioral Value
- T. Rowe Price New Horizons
- Nationwide Baird International Equities
- Dodge & Cox International Stock
- MFS International Growth I
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO Total Return
- Prudential Total Return
- Nationwide Loomis Bond
- Eaton Vance Floating Rate & High Income
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500/Value
- iShares S&P 500/Growth
- iShares Russell Mid-Cap ETF
- Vanguard REIT ETF
- iShares Russell 2000 Value
- iShares Russell 2000 Growth
- iShares MSCI EAFE
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- PowerShares Senior Loan
- First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

**STYLE**



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderate active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

www.highmarkcapital.com

**ABOUT THE ADVISER**

HighMark<sup>®</sup> Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

**ABOUT THE PORTFOLIO MANAGEMENT TEAM**

**Andrew Brown, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California; BA, University of Southern California

**Salvatore "Tory" Milazzo III, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

**Randy Yurchak, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 2002  
HighMark Tenure: since 2017  
Education: MBA, Arizona State University; BS, University of Washington

**Asset Allocation Committee**  
Number of Members: 16  
Average Years of Experience: 26  
Average Tenure (Years): 13

**Manager Review Group**  
Number of Members: 7  
Average Years of Experience: 20  
Average Tenure (Years): 7



PARS DIVERSIFIED PORTFOLIOS  
**BALANCED**

Q4 2017

**WHY THE PARS DIVERSIFIED  
BALANCED PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

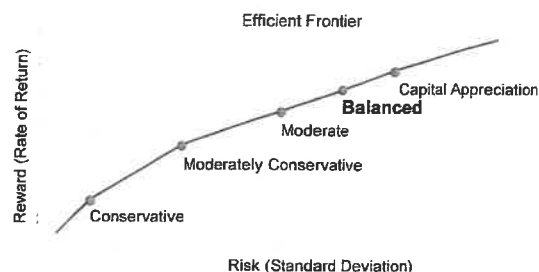
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



**ASSET ALLOCATION — BALANCED PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	50 – 70%	60%	60%
Fixed Income	30 – 50%	35%	37%
Cash	0 – 20%	5%	3%

**ANNUALIZED TOTAL RETURNS**

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	3.49%	Current Quarter*	3.37%
Blended Benchmark**	3.51%	Blended Benchmark**	3.51%
Year To Date	15.46%	Year To Date	13.39%
Blended Benchmark	13.54%	Blended Benchmark	13.54%
1 Year	15.46%	1 Year	13.39%
Blended Benchmark	13.54%	Blended Benchmark	13.54%
3 Year	7.25%	3 Year	6.78%
Blended Benchmark	7.06%	Blended Benchmark	7.06%
5 Year	8.54%	5 Year	8.35%
Blended Benchmark	8.89%	Blended Benchmark	8.89%
10 Year	5.74%	10 Year	5.63%
Blended Benchmark	6.06%	Blended Benchmark	6.06%

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM FREE, 7% MSCI EAFE, 27% BC US Agg, 6.75% ML 1-3 Yr US Corp/Gov't, 1.25% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 51% S&P 500; 3% Russell 2000, 8% MSCI EAFE, 5% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 60% S&P 500, 5% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

HighMark Plus (Active)		Index Plus (Passive)	
2008	-25.72%	2008	-23.22%
2009	21.36%	2009	17.62%
2010	14.11%	2010	12.76%
2011	-0.46%	2011	1.60%
2012	13.25%	2012	11.93%
2013	16.61%	2013	15.63%
2014	4.70%	2014	6.08%
2015	0.04%	2015	-0.81%
2016	6.82%	2016	8.26%
2017	15.46%	2017	13.39%

**PORTFOLIO FACTS**

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	10/2006	Inception Date	10/2007
No of Funds in Portfolio	19	No of Funds in Portfolio	13

**HOLDINGS**

**HighMark Plus (Active)**

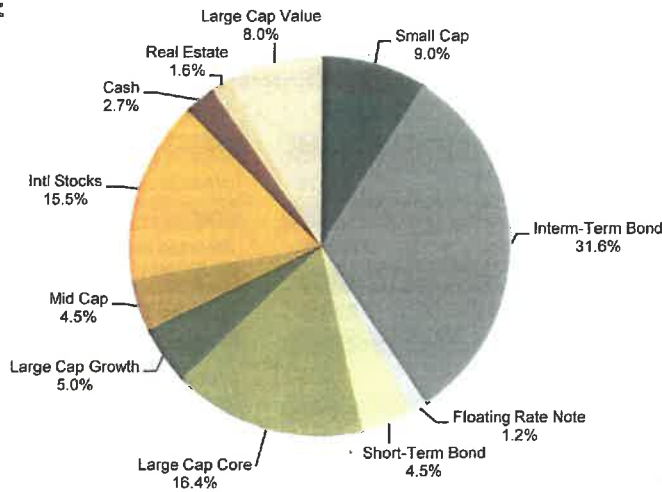
- Columbia Contrarian Core Z
- Vanguard Growth & Income Adm
- Dodge & Cox Stock Fund
- Harbor Capital Appreciation
- T. Rowe Price Growth Stock
- iShares Russell Mid-Cap ETF
- Vanguard REIT ETF
- Undiscovered Managers Behavioral Value
- T. Rowe Price New Horizons
- Nationwide Bailard International Equities
- Dodge & Cox International Stock
- MFS International Growth I
- Hartford Schroders Emerging Markets Eq
- Vanguard Short-Term Invest-Grade Adm
- PIMCO Total Return
- Prudential Total Return
- Nationwide Loomis Bond
- Eaton Vance Floating Rate & High Income
- First American Government Obligations Z

**Index Plus (Passive)**

- iShares Core S&P 500 ETF
- iShares S&P 500/Value
- iShares S&P 500/Growth
- iShares Russell Mid-Cap ETF
- Vanguard REIT ETF
- iShares Russell 2000 Value
- iShares Russell 2000 Growth
- iShares MSCI EAFE
- Vanguard FTSE Emerging Markets ETF
- Vanguard Short-Term Invest-Grade Adm
- iShares Core U.S. Aggregate
- PowerShares Senior Loan
- First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

**STYLE**



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Balanced active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFJ Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFJ Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

**HIGHMARK CAPITAL MANAGEMENT**

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

www.highmarkcapital.com

**ABOUT THE ADVISER**

HighMark<sup>®</sup> Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

**ABOUT THE PORTFOLIO MANAGEMENT TEAM**

**Andrew Brown, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California; BA, University of Southern California

**Salvatore "Tory" Milazzo III, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

**J. Keith Stribling, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

**Christiane Tsuda**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

**Anne Wimmer, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

**Randy Yurchak, CFA<sup>®</sup>**  
Senior Portfolio Manager  
Investment Experience: since 2002  
HighMark Tenure: since 2017  
Education: MBA, Arizona State University; BS, University of Washington

**Asset Allocation Committee**

Number of Members: 16  
Average Years of Experience: 26  
Average Tenure (Years): 13

**Manager Review Group**

Number of Members: 7  
Average Years of Experience: 20  
Average Tenure (Years): 7

PARS DIVERSIFIED PORTFOLIOS  
**CAPITAL APPRECIATION**

Q4 2017

**WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

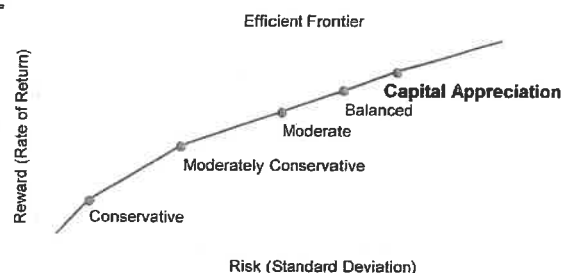
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

The primary goal of the Capital Appreciation objective is growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



**ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO**

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	75%
Fixed Income	10 - 30%	20%	23%
Cash	0 - 20%	5%	2%

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Current Quarter*	4.16%
Blended Benchmark**	4.34%
Year To Date	16.72%
Blended Benchmark	16.55%
1 Year	16.72%
Blended Benchmark	16.55%
3 Year	8.20%
Blended Benchmark	8.27%
5 Year	10.08%
Blended Benchmark	10.56%
Inception to Date (108-Mos.)	10.90%
Blended Benchmark	11.64%

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM FREE, 10.25% MSCI EAFE, 16% BC US Agg, 3% ML 1-3 Yr US Corp/Gov't, 1% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

2008	N/A%
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.27%
2016	8.81%
2017	16.72%

**PORTFOLIO FACTS**

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	01/2009	Inception Date	N/A
No of Funds in Portfolio	19	No of Funds in Portfolio	13



## HOLDINGS

### HighMark Plus (Active)

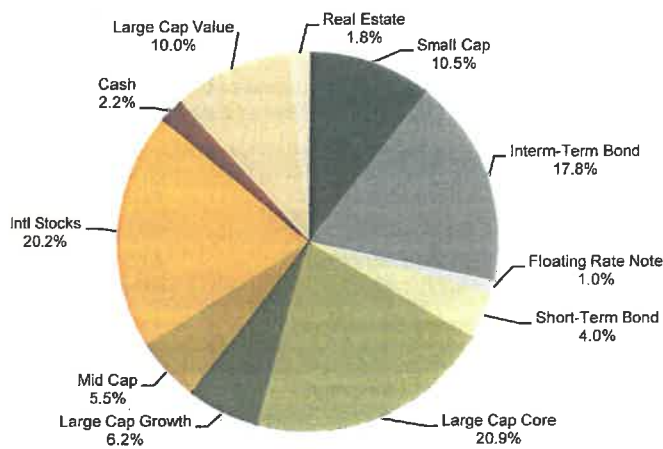
Columbia Contrarian Core Z  
 Vanguard Growth & Income Adm  
 Dodge & Cox Stock Fund  
 Harbor Capital Appreciation  
 T. Rowe Price Growth Stock  
 iShares Russell Mid-Cap ETF  
 Vanguard REIT ETF  
 Undiscovered Managers Behavioral Value  
 T. Rowe Price New Horizons  
 Nationwide Baird International Equities  
 Dodge & Cox International Stock  
 MFS International Growth I  
 Hartford Schroders Emerging Markets Eq  
 Vanguard Short-Term Invest-Grade Adm  
 PIMCO Total Return  
 Prudential Total Return  
 Nationwide Loomis Bond  
 Eaton Vance Floating Rate & High Income  
 First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
 iShares S&P 500/Value  
 iShares S&P 500/Growth  
 iShares Russell Mid-Cap ETF  
 Vanguard REIT ETF  
 iShares Russell 2000 Value  
 iShares Russell 2000 Growth  
 iShares MSCI EAFE  
 Vanguard FTSE Emerging Markets ETF  
 Vanguard Short-Term Invest-Grade Adm  
 iShares Core U.S. Aggregate  
 PowerShares Senior Loan  
 First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

## STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Capital Appreciation active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT Index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

## HIGHMARK CAPITAL MANAGEMENT

350 California Street  
 Suite 1600  
 San Francisco, CA 94104  
 800-582-4734

www.highmarkcapital.com

### ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

### ABOUT THE PORTFOLIO MANAGEMENT TEAM

**Andrew Brown, CFA®**  
 Senior Portfolio Manager  
 Investment Experience: since 1994  
 HighMark Tenure: since 1997  
 Education: MBA, University of Southern California; BA, University of Southern California

**Salvatore "Tory" Milazzo III, CFA®**  
 Senior Portfolio Manager  
 Investment Experience: since 2004  
 HighMark Tenure: since 2014  
 Education: BA, Colgate University

**J. Keith Stribling, CFA®**  
 Senior Portfolio Manager  
 Investment Experience: since 1985  
 HighMark Tenure: since 1995  
 Education: BA, Stetson University

**Christiane Tsuda**  
 Senior Portfolio Manager  
 Investment Experience: since 1987  
 HighMark Tenure: since 2010  
 Education: BA, International Christian University, Tokyo

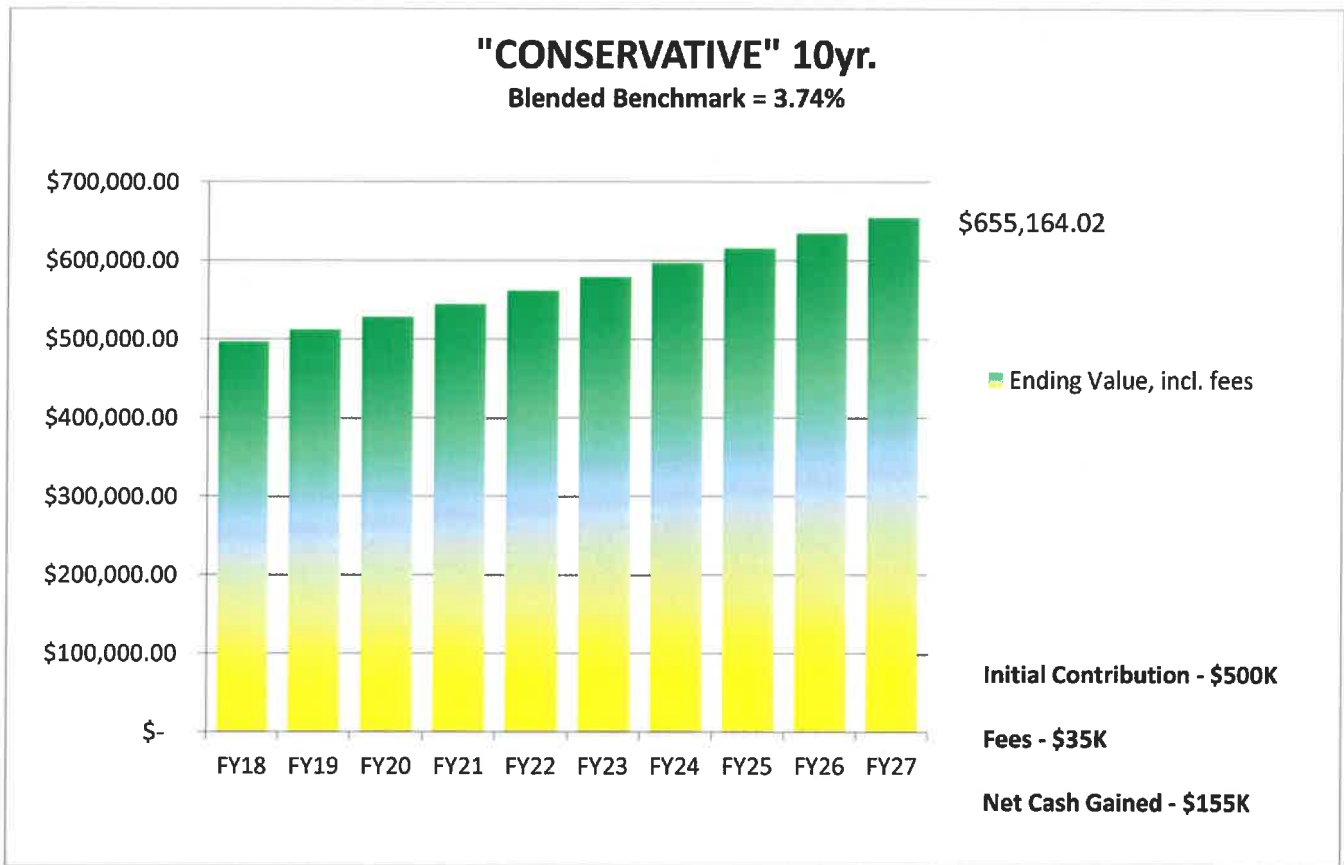
**Anne Wimmer, CFA®**  
 Senior Portfolio Manager  
 Investment Experience: since 1987  
 HighMark Tenure: since 2007  
 Education: BA, University of California, Santa Barbara

**Randy Yurchak, CFA®**  
 Senior Portfolio Manager  
 Investment Experience: since 2002  
 HighMark Tenure: since 2017  
 Education: MBA, Arizona State University; BS, University of Washington

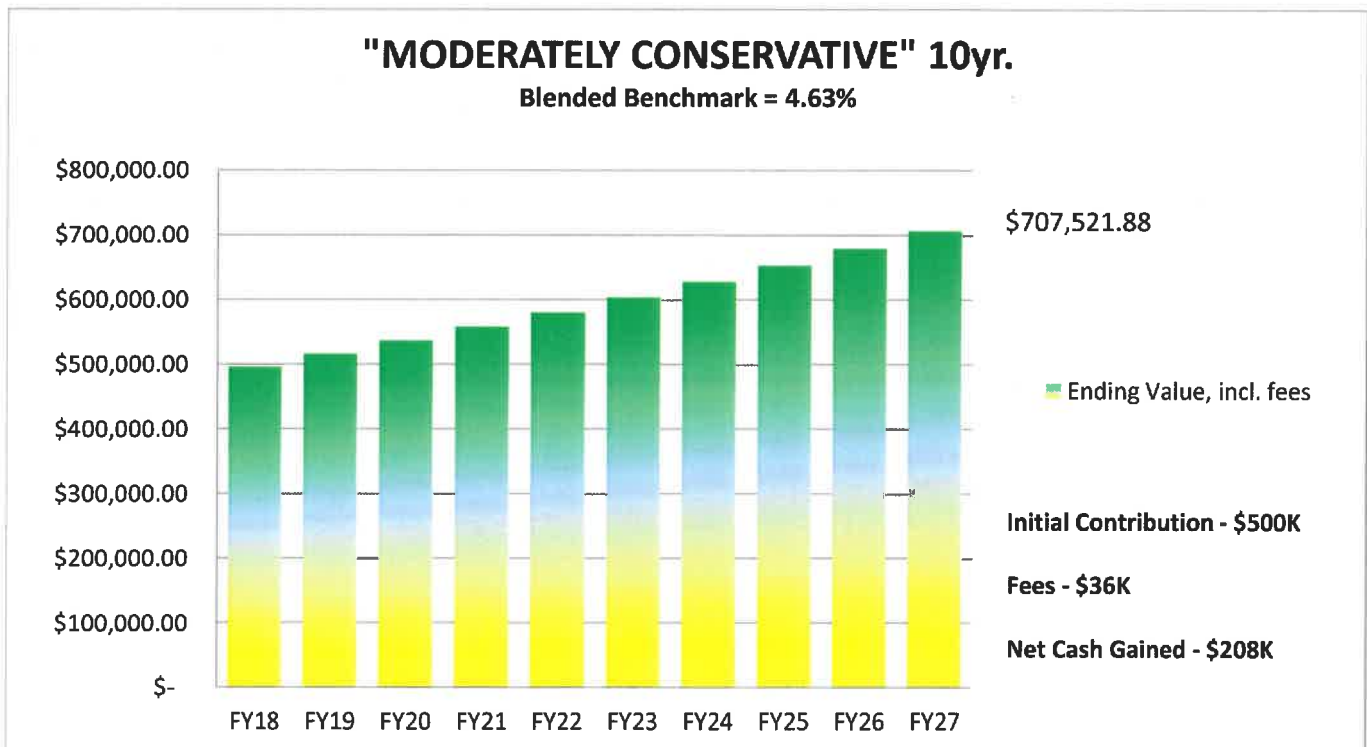
**Asset Allocation Committee**  
 Number of Members: 16  
 Average Years of Experience: 26  
 Average Tenure (Years): 13

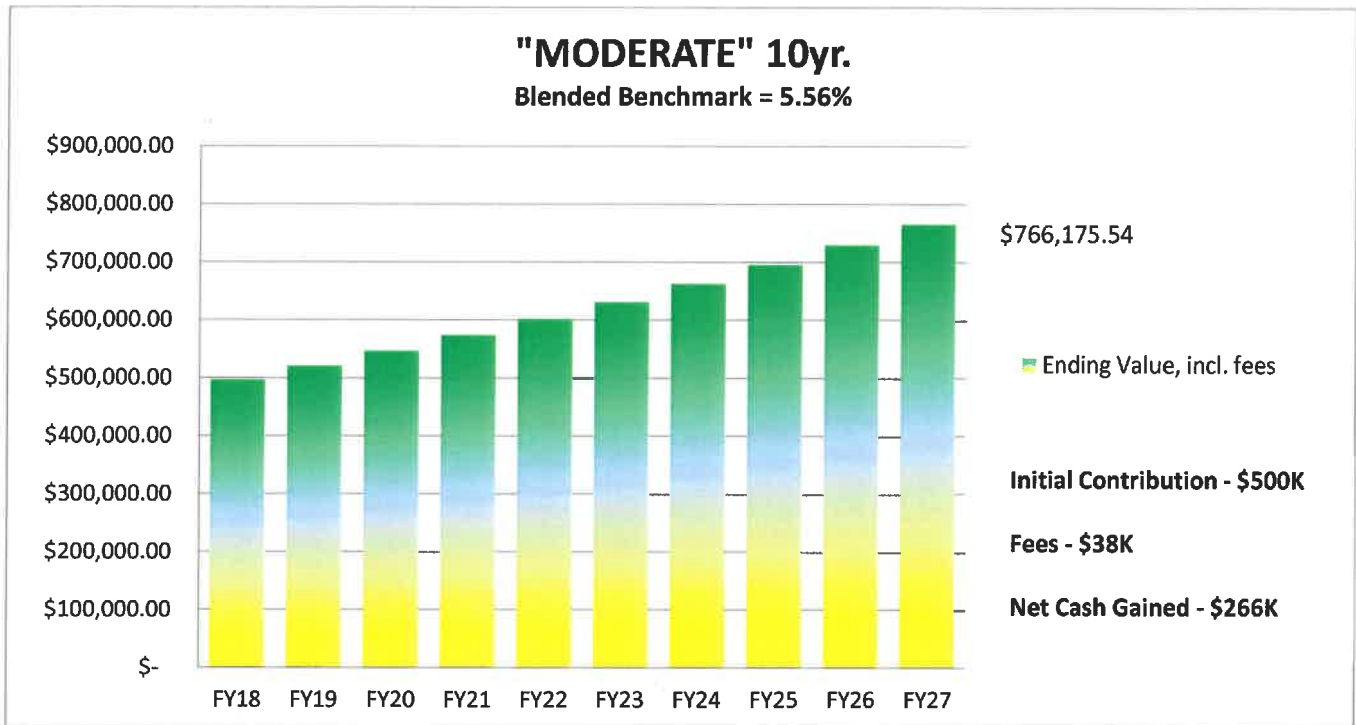
**Manager Review Group**  
 Number of Members: 7  
 Average Years of Experience: 20  
 Average Tenure (Years): 7



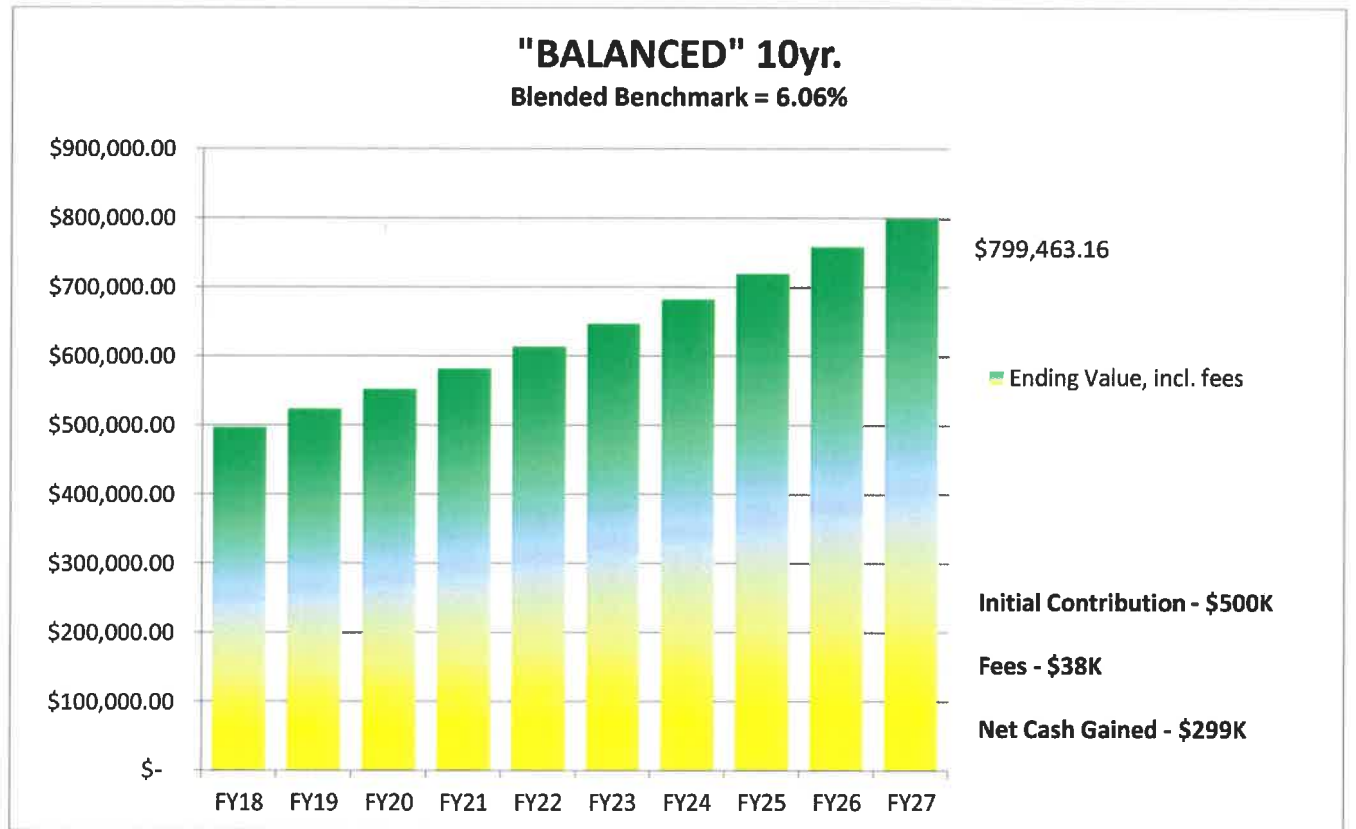


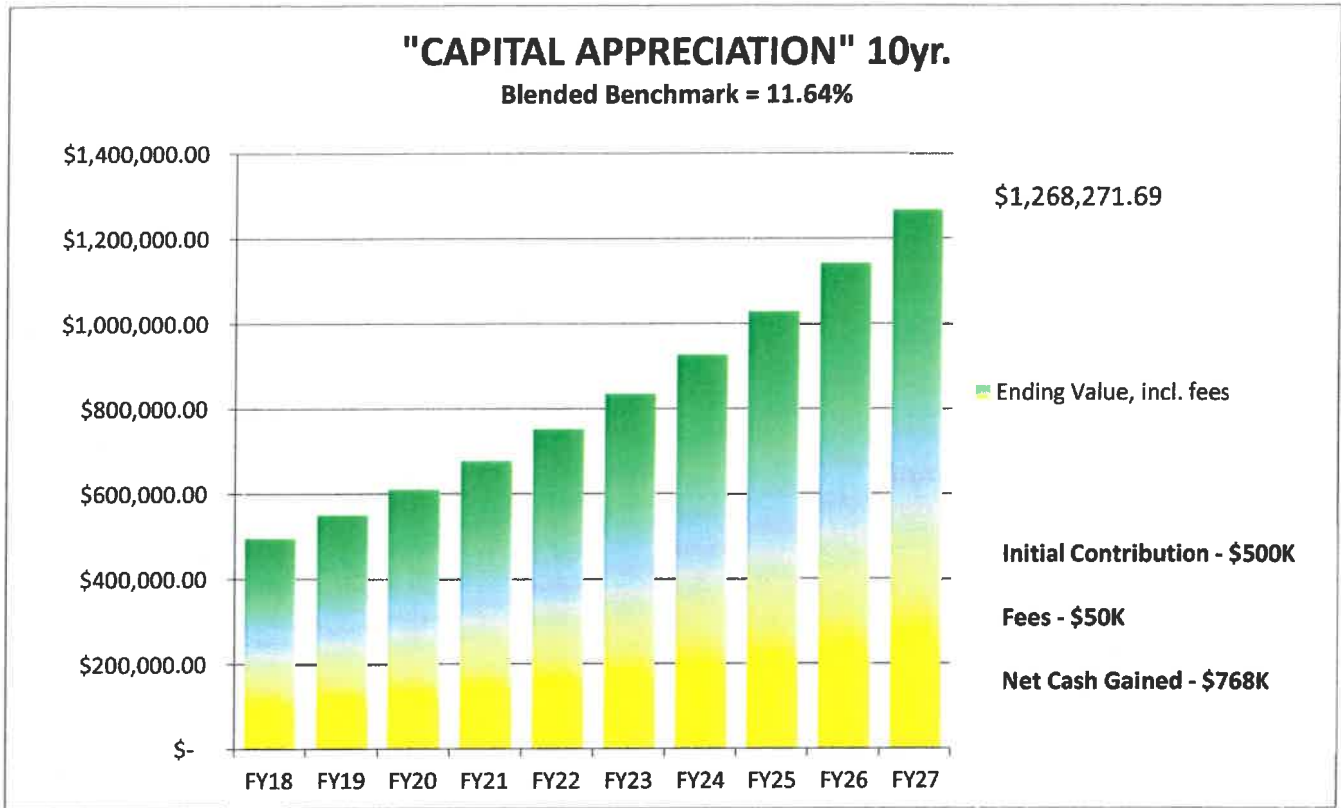
*These graphs are very simplified for general information only.  
Market conditions vary and will impact returns.*





*These graphs are very simplified for general information only.  
Market conditions vary and will impact returns.*





*These graphs are very simplified for general information only.  
Market conditions vary and will impact returns.*

### SUMMARY OF GRAPHS

	Conservative	Moderately Conservative	Moderate	Balanced	Capital Appreciation
<b>Assumed Initial Contribution</b>	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
<b>Blended Benchmark Return Rate</b>	3.74%	4.63%	5.56%	6.06%	11.64%
<b>Total Fees (10-yrs.)</b>	\$34,578	\$36,022	\$37,605	\$38,488	\$50,094
<b>Ending Balance, net fees (10-yrs.)</b>	\$655,164	\$707,521	\$766,175	\$799,463	\$1,268,271
<b>Net Cash Gained (10-yrs.)</b>	\$155,164	\$207,522	\$266,176	\$299,463	\$768,272

# Economic and Market Perspectives

4Q 2017

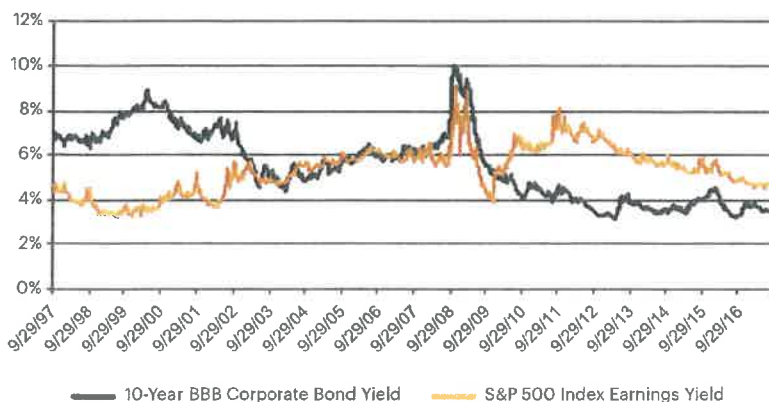
## Introduction

Storms, both natural and man-made, were not enough to slow down global equity markets during the third quarter. Solid corporate earnings and encouraging economic data helped investors shrug off worries about the impact of major hurricane damage and escalating tensions between the U.S. and North Korea. Continued strength in a now globally synchronized growth cycle has reinforced equity markets' resilience to adverse events that might otherwise pose a threat to seemingly solid economic momentum.

The domestic economy, though not growing as fast as during prior cycles, also shows little signs of slowing down. Accommodative financial conditions continue to perpetuate steady economic growth amidst a backdrop of low inflation and unemployment, creating an environment supportive of equity-risk taking. A lack of competitive returns offered by bonds and cash further fueled a 'buy the dip' mentality that persisted in the stock market despite some absolute valuation measures indicating richness.

As shown in the chart below, one relative valuation metric that seems to ease equity investors' concerns over elevated absolute valuations is the comparison of corporate earnings yields to yields on corporate bonds. Despite rising equity prices since the end of the bear market in 2009, earnings yields continue to enjoy a healthy spread over corporate bond yields.

**S&P 500 Earnings Yield  
vs. 10-Year BBB Corporate Bond Yield**



Source: Bloomberg.

Investor optimism has also been renewed by the robust earnings growth U.S. companies have achieved this year. According to Reuters, S&P 500 earnings rose by over 12% in the second quarter, easily surpassing Wall Street estimates of 6.4% going into the reporting season. After five quarters of negative earnings growth ending in the fourth quarter last year, the S&P 500 Index posted positive total returns during the past eleven consecutive months through September.

The bond market has struggled to find such a definitive direction this year. Long-term bond yields fell for most of the quarter until an abrupt pivot in early September when investors were surprised by healthier than expected headline inflation. The Federal Reserve's (Fed) decision to officially implement its well-telegraphed plan to shrink its balance sheet, along with some hawkish comments from Chairwoman Yellen, have also added upward pressure to rates late in the quarter.

As of the end of the quarter, the yield-to-maturity on the 10-year U.S. Treasury Note (2.33%) settled just 11 basis points lower than where it started the year, but up 30 basis points from levels traded in early September. On the shorter end of the yield curve, interest rates found more upward direction with the yield on the 2-year Treasury Note (1.47%) breaking out to new cycle highs at the close of the quarter.

As discussed in last quarter's Perspectives, the Fed finds itself in a pickle. On the one hand, the monetary policy-making body is eager to wean its influence on financial markets and the economy, while on the other, it must remain concerned about the impact of withdrawing monetary stimulus amid stubbornly low inflation. A less noisy measure of inflation that the Fed claims to focus most on, the core personal consumption expenditures (PCE) index, increased by just 1.3% in August—a level not seen since October 2015 and well below the Fed's stated 2% target.

**U.S. Growth:** The domestic economy grew at a robust 3.1% rate in the second quarter. Accelerating corporate profits and business spending helped drive growth to its fastest pace in two years. We expect third quarter growth to slow, in part due to the impact from hurricanes Irma and Maria.<sup>1</sup>

**Inflation:** After showing signs of softening in June, the Consumer Price Index (CPI) reaccelerated in August to 1.9%. Hurricane damage should bring temporary upward pressure on prices in the coming months. However, excluding food and energy, price growth has remained weak.<sup>2</sup>

**Employment:** Hurricanes Irma and Harvey put a halt to seven years of job growth in September. An estimated 33,000 U.S. jobs were lost during the month, most notably from the restaurant industry. September's Employment Situation report was an expected temporary outlier, as July (+138,000) and August (+169,000) job growth remained largely consistent with longer term trends. Despite the setback in job growth, wage growth ticked up to an annualized rate of 2.9% in September.<sup>2</sup>

**Foreign Exchange:** The U.S. dollar continued its decline during the quarter from its cyclical peak at the end of last year. Year-to-date through the end of September, the U.S. Dollar Index has fallen by 8.4%. A weaker dollar should act as a tailwind for corporate profits and exports.<sup>3</sup>

**Corporate Earnings:** Second quarter earnings for S&P 500 companies increased 12.3% with a robust 5% top line revenue growth. Further, 73% of companies beat consensus analyst estimates. A significant rebound in Energy sector earnings helped drive the overall market higher.<sup>4</sup>

**Energy:** Oil prices rallied during the quarter after hitting a bottom in late June. West Texas Intermediate Crude closed the quarter at \$51.58 per barrel after beginning the quarter at \$46.04.<sup>3</sup> Gasoline prices rose even more dramatically after refining capacity was taken offline due to storm damage. AAA National Average Gasoline price closed the third quarter at \$2.56 per gallon, up from \$2.23 to start the quarter, a 15% increase.

## Market performance

As of 9/30/2017	% Total Return					
	Q3 2017	YTD 2017	1-Year	3-Year	5-Year	10-Year
S&P 500	4.5	14.2	18.6	10.8	14.2	7.4
MSCI EAFE	5.4	20.0	19.1	5.0	8.4	1.3
MSCI Emerging Markets	7.9	27.8	22.5	4.9	4.0	1.3
Bloomberg Barclays US Aggregate Bond	0.9	3.1	0.1	2.7	2.1	4.3
BofA ML US Treasury Bills	0.3	0.6	0.6	0.3	0.2	0.5
Bloomberg Commodity	2.5	-2.9	-0.3	-10.4	-10.5	-6.8

Source: Morningstar Direct  
Periods greater than one year are annualized

<sup>1</sup> U.S. Department of Commerce  
<sup>2</sup> U.S. Bureau of Labor Statistics

<sup>3</sup> Bloomberg  
<sup>4</sup> Reuters

## New focus for the GOP congress

In late September, President Trump and his Republican colleagues in Congress shifted attention from repealing the Affordable Care Act (ACA) to reforming the nation's tax code for corporations and individuals. Below is a summary of the Unified Framework for Fixing Our Broken Tax Code:

Highlights of the Unified Framework for Fixing Our Broken Tax Code			
Corporate		Individual	
<b>Corporate Tax Rate</b>	20%	<b>Tax Rates</b>	New rates of 12%, 25%, 35% and potentially a 4th bracket
<b>Business Pass-Through Rate</b>	25%	<b>Standard Deduction</b>	\$24,000 per couple and \$12,000 for single-filers; nearly doubles current deduction
<b>Repatriation</b>	Two rates for repatriated assets: one for hard assets, one for cash. Both to be paid over several years	<b>AMT and Estate Tax</b>	Repealed
<b>Territorial System</b>	Shift to territorial regime	<b>Itemized Deductions</b>	Deductions for mortgage interest and charities retained; many others eliminated
<b>Business Expenses</b>	5 years or more to expense equipment	<b>Child Credit</b>	Increased but extent not specified
<b>Deduction for Business Interest</b>	Deduction limited—details to be worked out	<b>Tax Credit for Dependents</b>	Adds a \$500 credit for non-child dependents
<b>Business Tax Credits</b>	R&D and low-income housing credit remains; many others eliminated		

Source: Cornerstone Macro

Despite being generally consistent with promises made on the campaign trail, U.S. corporations and equity investors, eagerly awaiting a formal proposal, were heartened by the key tenets. Shares of companies that are likely to benefit the most from the revised framework (primarily those in U.S.-based cyclical sectors such as consumer goods and services, materials, financial firms, and real estate companies) got a boost after the plan was released. Conversely, the revival of the "reflation trade" was less supportive for defensive, yield-oriented companies and growth stocks lagged.

Companies with high tax rates and large cash balances held overseas also saw share prices rise as investors looked forward to the prospect of repatriated cash being used to increase capital expenditures, share buybacks and dividends.

The business pass-through rate of 25% is a significant change for the sole proprietorships, partnerships, and S-corps that currently pay taxes at the owner's individual tax rate. Since the current top individual rate is 39.6%, the proposed tax reform is expected to be a significant boost for the finances of small business owners, which, according to supply-side economic theory, would be reinvested back in the businesses and enhance overall economic activity.



## The long and winding road to a new tax regime

Corporations have generally been enthusiastic about the net impact of the tax proposal, though it is early days yet. Most expect that the scope of the cuts will be pared back in the coming weeks and months. The first critical step will come next month when Congress begins negotiations on the budget.

This task requires determining the size of the overall tax cut even before the various committees get to work crafting the final details that will be sent to Congress for a vote. Setting the size of the tax cut up front, during budget negotiations, does not allow Republicans to increase the size and impact of the proposal later.

Given the many (often competing) groups involved in tax reform, it is more likely that the size of the current tax reform package will decrease rather than remain the same. And while the reform proposal is generally “pro-business”, the elimination of several business tax credits in the current system, including those in support of on-shore production, would benefit some industries while negatively impacting others. Lobbying for revisions to mitigate the disparity between industry winners versus losers has already begun.

Deficit hawks, a significant voting block within the Republican party, are likely to take exception to the potential addition to the nation’s deficit. This group, commonly known as the GOP’s Freedom Caucus, and others may be skeptical of the Administration’s claims that boosted economic growth will offset the reduced tax rates—by some estimates tax receipts could decline by trillions in coming years. Democrats in the House and Senate are certainly expected to cry foul over the expected reductions in tax liability for the wealthiest Americans. The proposal includes repealing the estate tax—a tax which contributes modest tax revenue, yet significantly impacts only a limited number of the nation’s wealthiest families.

It did not take long before the horse-trading began: two days after outlines of the tax plan were issued by the White House, officials were beginning the negotiating process with President Trump’s senior economic adviser Gary Cohn, stating that the President was open to negotiating the plan’s proposed elimination of the deduction individual taxpayers can now claim for state and local taxes. As the deduction for state and local taxes primarily benefits higher-income individuals, often in states that traditionally favor the Democratic party, the outreach may be a sign that Republicans will seek Democratic support for the final bill.

If one thing is certain, it is that any bill that passes will likely see major modifications to the current outline. The 25% business pass-through rate may only cover some business income, with the remaining income viewed as wage income and subject to the top personal tax rate. There may also be a maximum amount of pass-through income eligible for the fixed 25% rate—as little as \$1 million to \$2 million by one estimate. One of the myriad of details awaiting Congressional committees is figuring out how to prevent wealthy individuals from claiming pass-through business status to pay lower taxes on some or all of their income.

Given the heavy-lifting required to convert President Trump’s nine-page outline into the most significant pro-growth and pro-investment tax reform bill since the Reagan administration’s reform more than 30 years ago, it is unlikely that the package will clear Congress this year. Furthermore, any approved legislation will likely be phased in over several years—making the impact of tax reform on corporate balance sheets gradual rather than immediate.

The coming months will feature plenty of the gamesmanship, arm-twisting, and negotiations required to make the aggressive tax plan law. If there is any legislation that is as cantankerous as health care regulation, it would be the tax code. With the mid-term elections fast approaching and no progress on an ACA repeal, the stakes could not be higher for Republicans. Such necessity should improve the odds of success in some form, but it far from guarantees it.

## Crypto craze

By now you have probably at least heard of Bitcoin, even if you do not know exactly what it is or how it works. Bitcoin is a digital or “crypto” currency, which is not controlled by a centralized entity like a government. This decentralized feature has important implications because it does not allow supply to be manipulated<sup>5</sup> like government-issued currency. In an age when “quantitative easing” has become a global household term, a currency with a finite supply has a certain appeal to many.

The details behind cryptocurrency are technical, which likely has steered some away from paying close attention to the phenomenon. In the simplest terms, all digital currencies, including Bitcoin, are based on a distributed ledger (or database) technology known as blockchain. Blockchain relies on a peer-to-peer network to validate and process transactions. So-called Bitcoin “miners” help process transactions in exchange for new units. Units are stored in digital wallets accessible exclusively by the owner’s unique key.

<sup>5</sup> Bitcoin will be limited to 21 million units

During a parabolic rise in value over the past twelve months, Bitcoin and its copycats have shown up on the radar screen of many investors. So far in 2017, Bitcoin's value in U.S. dollars has more than quadrupled. In true capitalist form, Bitcoin's popularity has spurred plenty of competition. Today, there are over 1,000 known cryptocurrencies with an estimated market value of \$140 billion<sup>6</sup>—roughly half of which is Bitcoin.

One emerging source of demand for digital currency has come from China. Looking for creative ways to avoid their government's recently imposed capital controls, Chinese citizens have found Bitcoin and other cryptocurrencies to be a convenient way to avoid a depreciating Yuan, while also earning a very healthy return. Worried about the popularity of cryptocurrencies, Chinese regulators outlawed digital currency exchanges and initial coin offerings, known as "ICOs," in September. This crackdown led to a near instantaneous 20% drop in Bitcoin's value.

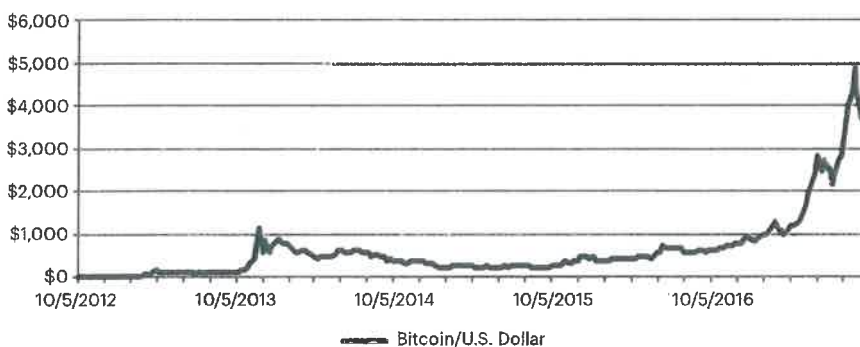
Exchanging traditional currency for cryptocurrency can only be done on specialized exchanges. Currently, no securitized product exists in the U.S. to "invest" in Bitcoin, although (stock) exchange traded funds (ETFs) may be on the horizon. Seizing on the phenomenon, several hedge funds have launched with the intent of investing in digital currencies and the ecosystem of the blockchain technology.

Opinions on digital currency seem to be about as binary as the potential outcomes of the concept itself. Bitcoin has been championed by some pundits as the next big thing. Other high-profile investors and financial services executives have called it a baseless fraud.

At such an early stage of a technology's development, it can be difficult to predict an outcome with any degree of certainty. Currency, by definition, is a store of value, which one expects to be relatively stable over time. So far, digital currency has been anything but stable. Ironically, the extreme volatility that has led to its early success may ultimately limit cryptocurrency's broader acceptance.

*Today, there are over 1,000 known cryptocurrencies with an estimated market value of \$140 billion<sup>6</sup>—roughly half of which is Bitcoin.*

## Up, Up And Away



Source: Bloomberg

<sup>6</sup> <https://coinmarketcap.com/all/views/all>



Even if digital currency succeeds as a widely used form of payment, which “brand” ultimately becomes ubiquitous is anyone’s guess at this stage. While Bitcoin has first-mover advantage and dominant market share, that is no guarantee of success in the tech world. Think of MySpace, Netscape, etc. For this reason, one should consider buying cryptocurrency a gamble rather than an investment, at least for now.

Many have prognosticated that blockchain will become a revolutionary technology with wide-reaching disruptive applications for secure transaction processing and data storage, well beyond the currency realm. Much like the early days of the internet, however, it is hard to have clarity on the individual winners and losers. If one thing is clear, we should not dismiss this budding technology.

## **(EU)reka!**

Since the Global Financial Crisis, the European Union (EU), plagued by political strife and structural inefficiency, has largely been perceived as a home for dead money. U.S. equity markets, buoyed by stronger corporate earnings growth and better overall economic conditions (i.e., no sovereign debt crisis to deal with) rallied during this period. European equity markets struggled in the years following the crisis, with the MSCI Europe Index returns lagging significantly behind those of the S&P 500 Index between 2009 and 2016.

However, the tide in Europe appears to be turning. Factors including a stabilizing political environment, improving economic indicators, and attractive relative valuations for European equity markets have all contributed to the region’s resurgence. As a result, we remain optimistic about European equity markets.

For months, the world awaited election outcomes in Austria, the Netherlands, France and Germany, wondering whether populist parties would succeed. Following the initial shock of the “Brexit” vote last June, the possibility of other European countries succumbing to far-right populism did not seem that far off. However, with each election subsequent to Brexit, populist candidates were rejected at the polls in favor of more mainstream, establishment party candidates. In Europe’s largest economies, France and Germany, Macron and Merkel won, mostly quieting the question of European unity—at least for now.

Europe’s competitive currency and a cyclical upswing in global demand have sparked rejuvenation in economic activity in the region. The IHS Markit’s Flash Eurozone Composite Purchasing Managers’ Index (PMI) moved up again in August, from 55.7 to 55.8, which is the highest level that the index has reached in over six years (anything above 50 is considered expansionary). The European labor market has also tightened significantly, with the unemployment rate at its lowest level in almost a decade.

Europe’s improving economy provides a catalyst for corporate earnings growth, which has been anemic since the continent’s sovereign debt crisis. Early recognition of this trend appears to be in progress. Capital flows have led the MSCI Europe Index in U.S. dollars to outperform the S&P 500 Index by over 8.5% year-to-date through the end of September.

Attractive valuations relative to the U.S. stock market, along with improving earnings growth expectations, should contribute to continued positive momentum in the European equity markets. European corporate earnings have lagged behind those of U.S. companies recently, but have demonstrated a pattern of convergence over longer time periods. As shown in the chart on the next page, that gap is shrinking as European companies are experiencing their first full year of earnings expansion in six years.

While Europe has not yet shed all its baggage, the region offers compelling value nonetheless. Populist movements are still worthy of concern, but have been overly discounted in our view. The European integration project is a work in progress—however, on the balance, political risks are on the decline just as the economy is gaining traction.

### Closing the Earnings Gap



Source: Bloomberg

## Conclusion

By most measures, the global economy today is at its strongest point since the beginning of the financial crisis. In concert with low real and nominal interest rates orchestrated by central banks, such economic tranquility is music to investors' ears and is reflected by healthy asset price appreciation over the past 12 to 18 months. However, an environment of low interest rates, narrow credit spreads and elevated equity market valuations lowers future upside return potential from stocks and bonds. As a result, past historical returns for major asset classes are unlikely to be matched or exceeded going forward.

With major central banks seeking to pull back monetary policy accommodation as the global economy firms up, investors must not become complacent. Although recent market behavior has heavily discounted the likelihood of such an outcome, hitting an air pocket in the economy is never out of the question. When indications of a slowdown eventually emerge, seemingly insatiable appetites for equity market risk may change at a moment's notice. Therefore, it is especially important that we remind ourselves during periods of general calm that staying focused on long-term goals and strategic asset allocation policy is the key to riding out any storm that could eventually rattle markets.

**James St. Aubin, Head of Investment Strategy**

**HighMark Capital Management, Inc.**



*Economic and Market Perspectives* is a publication of HighMark Capital Management, Inc. (HighMark). This publication is for general information only and is not intended to provide specific advice to any individual or institution. Some information provided herein was obtained from third-party sources deemed to be reliable. HighMark and its affiliates make no representations or warranties with respect to the timeliness, accuracy, or completeness of this publication and bear no liability for any loss arising from its use. All forward-looking information and forecasts contained in this publication, unless otherwise noted, are the opinion of HighMark, and future market movements may differ significantly from our expectations. HighMark, an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUFG Union Bank). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUFG Union Bank, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. The benchmarks referenced in this piece are used for comparative purposes only and are provided to represent the market conditions during the period(s) shown. Benchmark returns do not reflect the deduction of advisory fees, custody fees, transaction costs, or other investment expenses, but the returns assume the reinvestment of dividends and other earnings. An investor cannot invest directly in unmanaged indices. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

To: Board of Directors  
 From: Chris Harris  
 Date: March 8, 2018  
 Re: Funding for the PARS Trust

**Next Steps**

After determining the diversified investment portfolio for the PARS CalPERS Unfunded Pension Liability Trust (the Trust), consideration needs to be given to the amount of the initial contribution to fund the Trust, any additional annual contributions into the Trust, and potential distributions *out of* the Trust.

There are many factors to contemplate in this discussion:

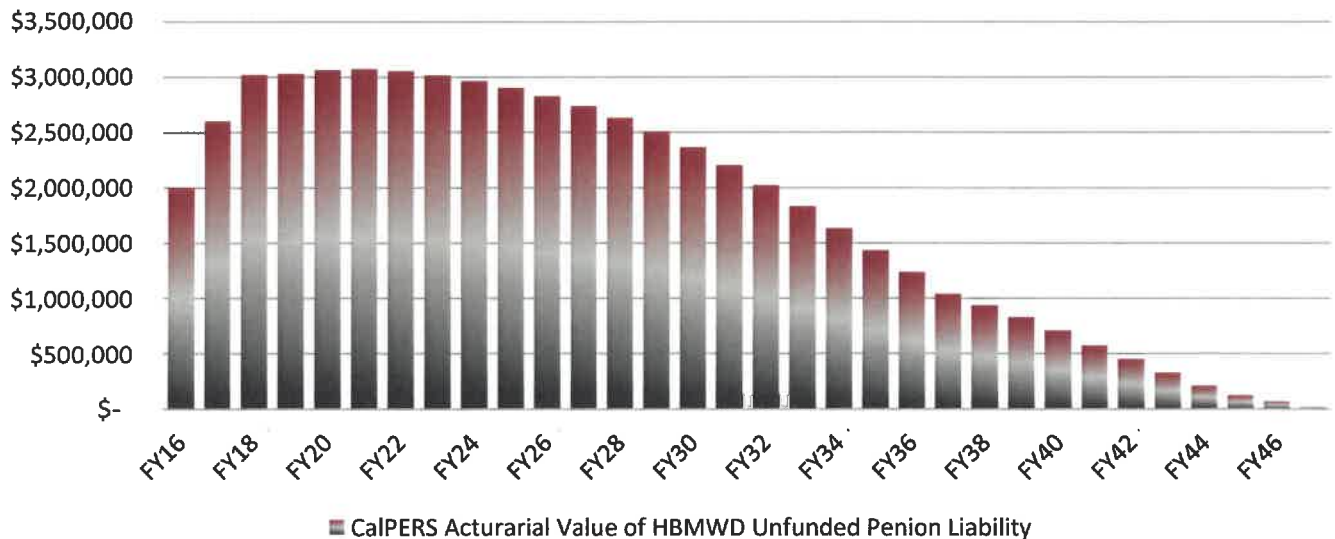
1. *CalPERS Actuarial Report and current forecast of the District's Unfunded CalPERS Pension Liability*
2. *CalPERS required annual unfunded pension liability payments*
3. *Potential distributions from the Trust to stabilize payment requirements*
4. *Financial impact on General Reserve Fund and rate payers*
5. *Amount of initial and annual contributions into the Trust*

**CalPERS Actuarial Report and Current Forecast**

On an annual basis, CalPERS provides each agency that participates in their pension plans an Actuarial Valuation Report outlining the current status of those agencies' pension plans. The actuarial report includes both current and projected contribution rates as well as current and projected annual payment requirements. This report is provided for each pension plan the agency is participating in. The District currently has employees in two different plans (Classic and PEPR), the Classic Pension Plan comprises 99.85% of the current unfunded liability.

For the fiscal year ending 6/30/18, CalPERS has estimated the District's unfunded pension liability to be \$3,021,871, an increase from \$2,602,142 for FY17. As shown below, the District's unfunded pension liability is currently calculated to peak in FY21 at \$3,075,139.

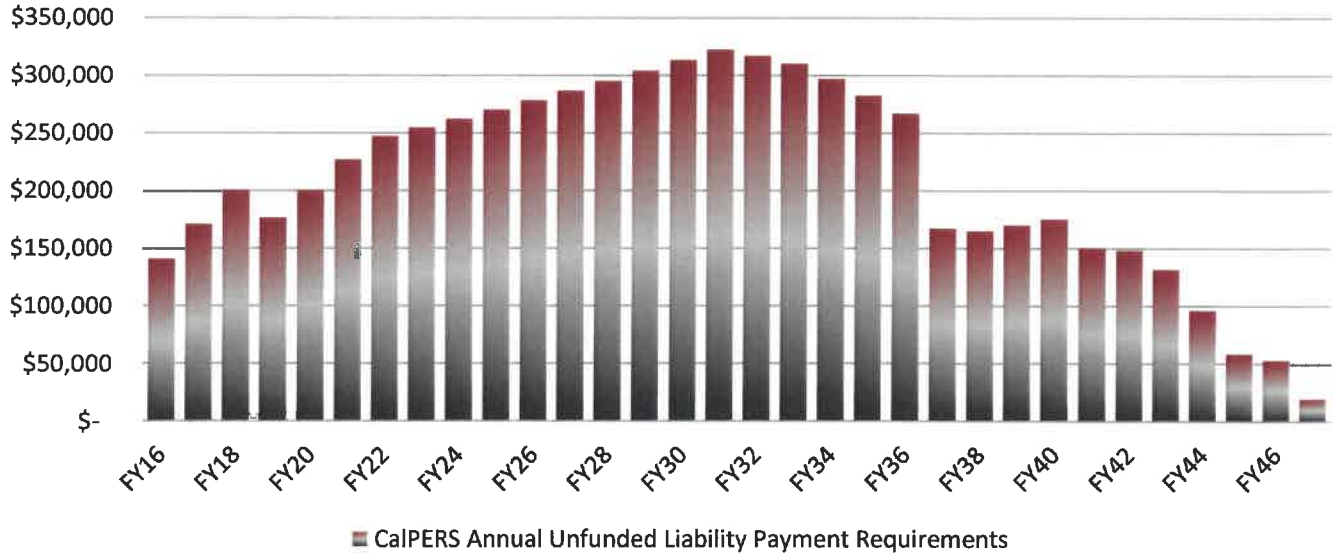
**CalPERS Actuarial Values of Unfunded Pension Liability for HBMWD FY16-FY47**



**CalPERS Required Annual Unfunded Pension Liability Payments**

Another aspect of the actuarial report from CalPERS are the payment amortization schedules. For the coming year (FY19), CalPERS has increased the District’s required annual payment to \$207,936, an increase of \$36,980 over the prior year. Since this payment amount includes 3.5% interest and is based on a monthly payment schedule, the District intends to take advantage of a reduction in payment to \$200,668 by making a lump-sum payment prior to July 30, 2018.

**Annual Unfunded Pension Liability Payment Requirements for HBMWD FY16-FY47**



As can be seen on the graph above, based on CalPERS current actuarial report the District’s required annual payments increase an average of 5% over the next thirteen years until FY31, when they begin to decline. These increases will potentially pose significant impacts in the District’s budget in the years to come.

**Potential Distributions from the Trust to Stabilize Payment Requirements**

To mitigate this issue, staff is recommending the District use funds held within the Trust to pay the portion of the payment that exceeds \$200,000. This would allow the District to stabilize the required unfunded liability payments, thereby mitigating any budgetary impact the increasing payment requirements would have. Based on the current CalPERS Amortization Schedule, these distributions from the Trust would begin in FY21 and continue through FY36. The total of the distributions currently needed is \$1,333,622.

**CalPERS Payments in excess of \$200K**

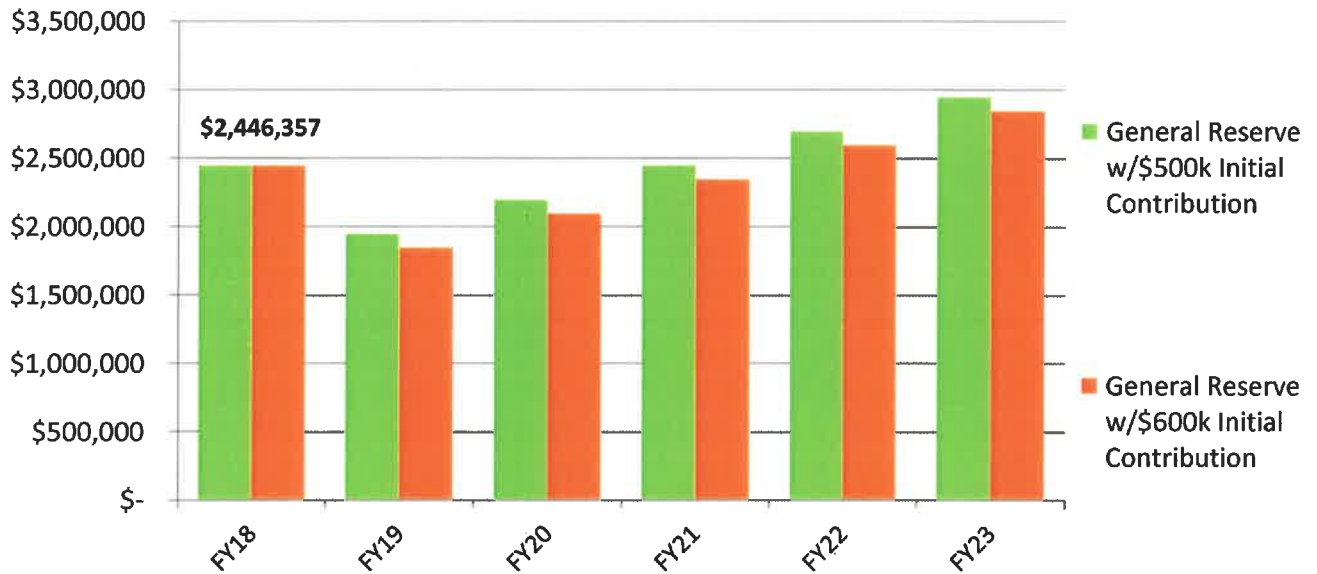


Based on various scenarios calculated by staff, these funds would likely be available from interest/dividends and growth in capital appreciation within the Trust. Although each investment portfolio has different anticipated rates of return, depending on both the initial contribution and annual contributions in the following years, staff believes sufficient funds would be available for these distributions.

**Impact on General Reserve Fund and Rate Payers**

With this staff report, staff has included ten possible funding scenarios, each of which include either an initial contribution of \$500,000 or \$600,000 from General Reserves. In order to accomplish the growth in the Trust needed to stabilize the annual payment requirements, staff has also calculated annual contributions (not exceeding \$50,000/yr). These annual contributions would be funded from and also reduce the General Reserve balance. Under Ordinance 16, *Additions to Reserves – Price Factor 4*, annual charges cannot exceed \$300,000 for additions to reserves. If the District is able to budget the maximum of \$300,000 annually to the General Reserve, the initial contribution and subsequent annual trust contributions taken from reserves can be replenished in three to four years. The graph below shows both an initial contribution of \$500K and \$600K, and since each investment portfolio varies, an *average* of seven additional annual contributions of \$50,000 each to the Trust was used.

**General Reserve Fund Replenishment Timeframe**



**Amount of Initial Contribution and Amount of Annual Contributions**

While staff has included ten different scenarios for potential funding options, once the Board has determined the diversified investment portfolio for the Trust (the previous agenda item), eight options can be eliminated. In the attached scenarios, staff has offered what they believe to be the most feasible options regarding funding the Trust without decimating the General Reserves. Staff can calculate additional scenarios, should the Board have other requests.



**Closing**

All of these calculations are subject to market conditions. The District's CalPERS Unfunded Pension Liability will increase/decrease depending on the market conditions, as will the investment portfolio for the Trust. The status and performance will need to be monitored at minimum on an annual basis when CalPERS releases the annual Actuarial Valuation Report.

**Recommendations**

- Staff recommends using the HighMark Investment Strategy Portfolio selected by the Board with an initial contribution of \$600,000 and the related annual contributions as calculated in the attached schedules.
- Staff also recommends using the Trust to fund the difference in required annual unfunded liability payments that exceed \$200,000, currently calculated to begin in FY21, with the assumption there are Trust funds available.
- Staff recommends an annual review of CalPERS Actuarial Valuation in conjunction with a review of the PARS Trust performance as a component of the District's annual budget process. Staff will revise annual contribution schedules as needed and bring back to the Board for approval.
- Staff recommends funding the General Reserves at \$300,000 for the four years following the initial contribution into the PARS Trust. This is the additions to reserves assumed in the Bartle & Wells Financial Plan included in the CIP update (approved by the Board in January 2018).

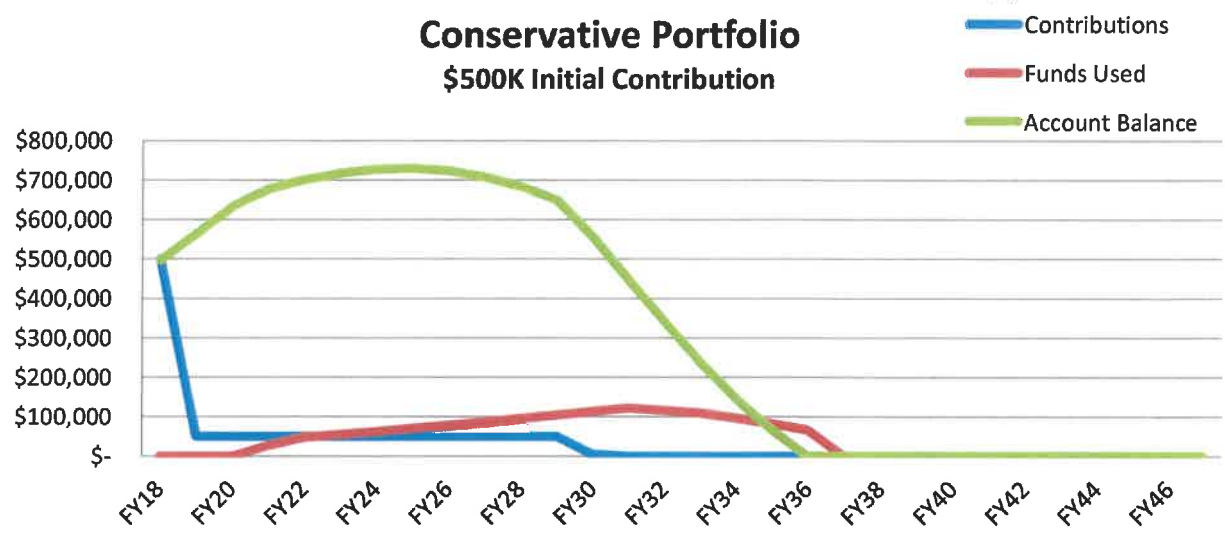
**Attached**

1. Summary Comparison of all Investment Portfolios and Contributions
2. Graphs and charts of each Investment Portfolio with possible contributions
  - a. Conservative Portfolio with \$500,000 Initial Contribution
  - b. Conservative Portfolio with \$600,000 Initial Contribution
  - c. Moderately Conservative Portfolio with \$500,000 Initial Contribution
  - d. Moderately Conservative Portfolio with \$600,000 Initial Contribution
  - e. Moderate Portfolio with \$500,000 Initial Contribution
  - f. Moderate Portfolio with \$600,000 Initial Contribution
  - g. Balanced Portfolio with \$500,000 Initial Contribution
  - h. Balanced Portfolio with \$600,000 Initial Contribution
  - i. Capital Appreciation with \$500,000 Initial Contribution
  - j. Capital Appreciation with \$600,000 Initial Contribution
3. CalPERS Actuarial Valuation Amortization Schedule

<b>SUMMARY COMPARISON OF ALL INVESTMENT PORTFOLIOS</b> \$500K and \$600K Initial Contributions, Totals After 30 Years (FY47)					
	Total of Initial and Annual Contributions	Total Funds Disbursed	Total Fees	Ending Account Balance	Net Cash
<b>Conservative</b>					
\$500K Initial Contribution	\$ 1,055,000	\$ (1,333,622)	\$ 59,253	\$ 127	\$ 278,749
\$600K Initial Contribution	\$ 1,023,000	\$ (1,333,622)	\$ 66,362	\$ 128	\$ 310,750
<i>Difference</i>	\$ (32,000)	\$ -	\$ 7,109	\$ 1	\$ 32,001
<b>Moderately Conservative</b>					
\$500K Initial Contribution	\$ 967,000	\$ (1,333,622)	\$ 61,009	\$ 193	\$ 366,816
\$600K Initial Contribution	\$ 933,600	\$ (1,333,622)	\$ 66,932	\$ 132	\$ 400,154
<i>Difference</i>	\$ (33,400)	\$ -	\$ 5,924	\$ (61)	\$ 33,339
<b>Moderate</b>					
\$500K Initial Contribution	\$ 878,250	\$ (1,333,622)	\$ 61,978	\$ 393	\$ 455,765
\$600K Initial Contribution	\$ 847,000	\$ (1,333,622)	\$ 66,656	\$ 267	\$ 486,889
<i>Difference</i>	\$ (31,250)	\$ -	\$ 4,678	\$ (126)	\$ 31,124
<b>Balanced</b>					
\$500K Initial Contribution	\$ 833,000	\$ (1,333,622)	\$ 62,150	\$ 509	\$ 501,131
\$600K Initial Contribution	\$ 804,300	\$ (1,333,622)	\$ 66,172	\$ 372	\$ 529,694
<i>Difference</i>	\$ (28,700)	\$ -	\$ 4,022	\$ (137)	\$ 28,563
<b>Capital Appreciation</b>					
\$500K Initial Contribution	\$ 500,000	\$ (1,333,622)	\$ 62,163	\$ 132,302	\$ 965,924
\$600K Initial Contribution	\$ 600,000	\$ (1,333,622)	\$ 180,894	\$ 2,166,375	\$ 2,899,997
<i>Difference</i>	\$ 100,000	\$ -	\$ 118,731	\$ 2,034,073	\$ 1,934,073

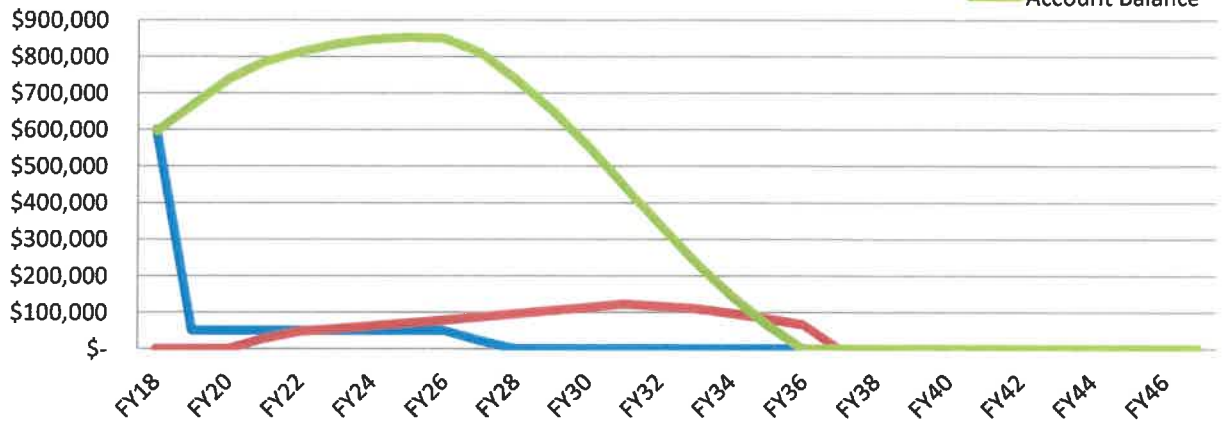


### Conservative Portfolio \$500K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	500,000	-	3,000	497,000	(3,000)
FY19	50,000	-	3,405	564,053	17,053
FY20	50,000	-	3,822	633,197	19,143
FY21	50,000	(26,816)	4,086	676,843	20,463
FY22	50,000	(47,192)	4,230	700,840	21,189
FY23	50,000	(54,608)	4,334	717,938	21,705
FY24	50,000	(62,246)	4,393	727,693	22,000
FY25	50,000	(70,113)	4,404	729,639	22,059
FY26	50,000	(78,216)	4,366	723,290	21,867
FY27	50,000	(86,563)	4,274	708,137	21,409
FY28	50,000	(95,160)	4,127	683,646	20,669
FY29	50,000	(104,015)	3,919	649,260	19,629
FY30	5,000	(113,135)	3,368	557,995	16,870
FY31	-	(122,529)	2,711	449,042	13,576
FY32	-	(116,727)	2,068	342,676	10,360
FY33	-	(110,286)	1,446	239,635	7,245
FY34	-	(96,877)	889	147,208	4,451
FY35	-	(82,385)	403	66,844	2,021
FY36	-	(66,756)	1	90	3
FY37	-	-	1	93	3
FY38	-	-	1	96	3
FY39	-	-	1	99	3
FY40	-	-	1	102	3
FY41	-	-	1	105	3
FY42	-	-	1	109	3
FY43	-	-	1	112	3
FY44	-	-	1	115	3
FY45	-	-	1	119	4
FY46	-	-	1	123	4
FY47	-	-	1	127	4
<b>TOTAL</b>	<b>1,055,000</b>	<b>(1,333,622)</b>	<b>59,253</b>		<b>278,749</b>

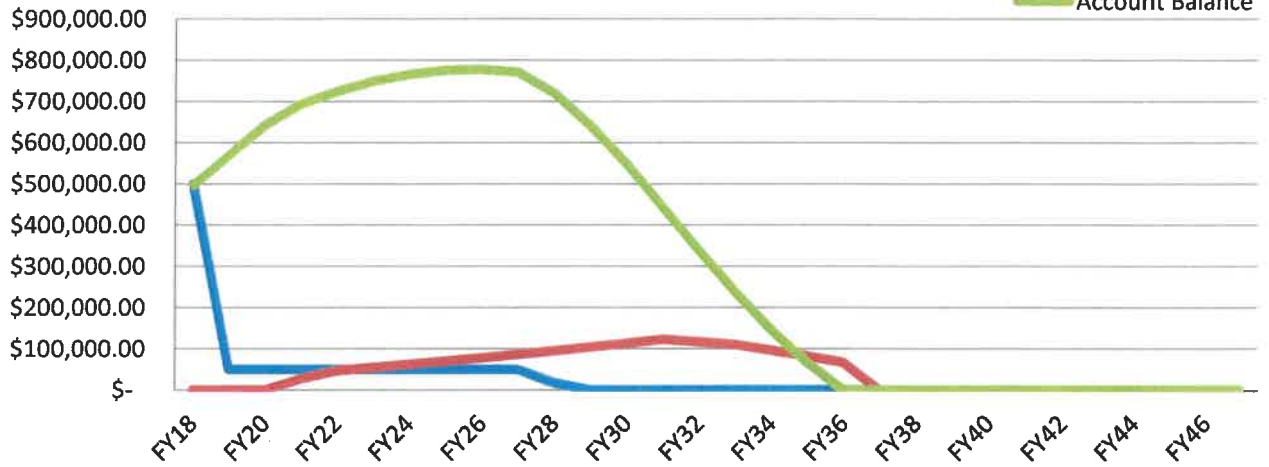
### Conservative Portfolio \$600K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	600,000	-	3,600	596,400	(3,600)
FY19	50,000	-	4,023	666,552	20,152
FY20	50,000	-	4,460	738,891	22,339
FY21	50,000	(26,816)	4,743	785,832	23,758
FY22	50,000	(47,192)	4,909	813,227	24,586
FY23	50,000	(54,608)	5,033	833,829	25,209
FY24	50,000	(62,246)	5,114	847,197	25,613
FY25	50,000	(70,113)	5,148	852,869	25,785
FY26	50,000	(78,216)	5,133	850,361	25,709
FY27	23,000	(86,563)	4,897	811,328	24,529
FY28	-	(95,160)	4,458	738,495	22,327
FY29	-	(104,015)	3,949	654,261	19,780
FY30	-	(113,135)	3,368	557,996	16,870
FY31	-	(122,529)	2,711	449,043	13,576
FY32	-	(116,727)	2,068	342,676	10,360
FY33	-	(110,286)	1,446	239,635	7,245
FY34	-	(96,877)	889	147,208	4,451
FY35	-	(82,385)	403	66,844	2,021
FY36	-	(66,756)	1	91	3
FY37	-	-	1	94	3
FY38	-	-	1	97	3
FY39	-	-	1	100	3
FY40	-	-	1	103	3
FY41	-	-	1	106	3
FY42	-	-	1	109	3
FY43	-	-	1	113	3
FY44	-	-	1	116	4
FY45	-	-	1	120	4
FY46	-	-	1	124	4
FY47	-	-	1	128	4
<b>TOTAL</b>	<b>1,023,000</b>	<b>(1,333,622)</b>	<b>66,362</b>		<b>310,750</b>

# Moderately Conservative Portfolio

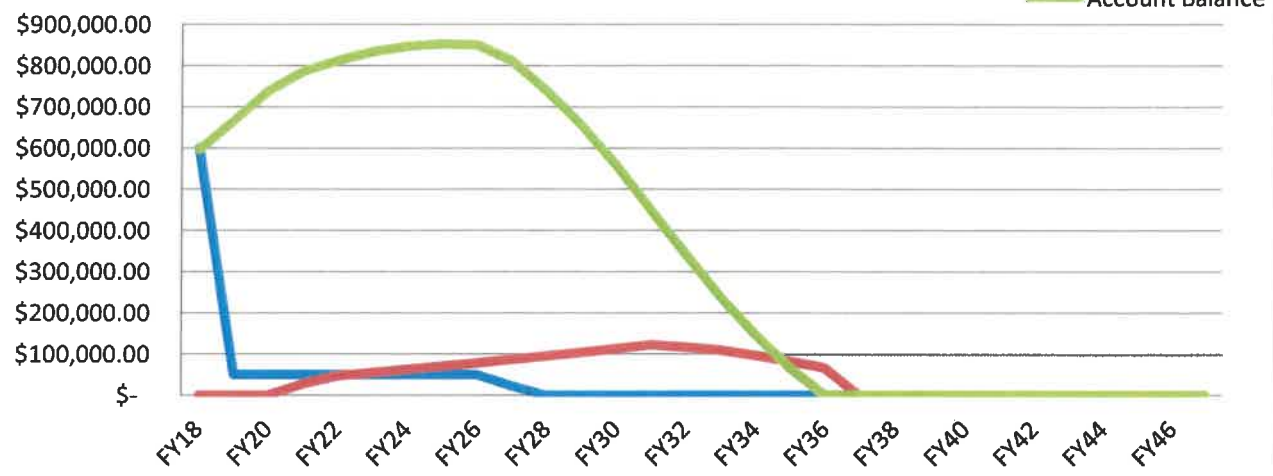
\$500K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	500,000	-	3,000	497,000	(3,000)
FY19	50,000	-	3,434	568,892	21,892
FY20	50,000	-	3,885	643,662	24,769
FY21	50,000	(26,816)	4,186	693,534	26,689
FY22	50,000	(47,192)	4,371	724,211	27,869
FY23	50,000	(54,608)	4,518	748,404	28,800
FY24	50,000	(62,246)	4,621	765,621	29,463
FY25	50,000	(70,113)	4,680	775,345	29,837
FY26	50,000	(78,216)	4,690	777,030	29,902
FY27	50,000	(86,563)	4,649	770,103	29,635
FY28	17,000	(95,160)	4,344	719,636	27,693
FY29	-	(104,015)	3,865	640,260	24,639
FY30	-	(113,135)	3,309	548,222	21,097
FY31	-	(122,529)	2,672	442,730	17,037
FY32	-	(116,727)	2,047	339,051	13,047
FY33	-	(110,286)	1,436	237,921	9,156
FY34	-	(96,877)	885	146,688	5,645
FY35	-	(82,385)	404	66,877	2,574
FY36	-	(66,756)	1	126	5
FY37	-	-	1	131	5
FY38	-	-	1	136	5
FY39	-	-	1	141	5
FY40	-	-	1	147	6
FY41	-	-	1	153	6
FY42	-	-	1	159	6
FY43	-	-	1	165	6
FY44	-	-	1	172	7
FY45	-	-	1	179	7
FY46	-	-	1	186	7
FY47	-	-	1	193	7
<b>TOTAL</b>	<b>967,000</b>	<b>(1,333,622)</b>	<b>61,009</b>		<b>366,816</b>

# Moderately Conservative Portfolio

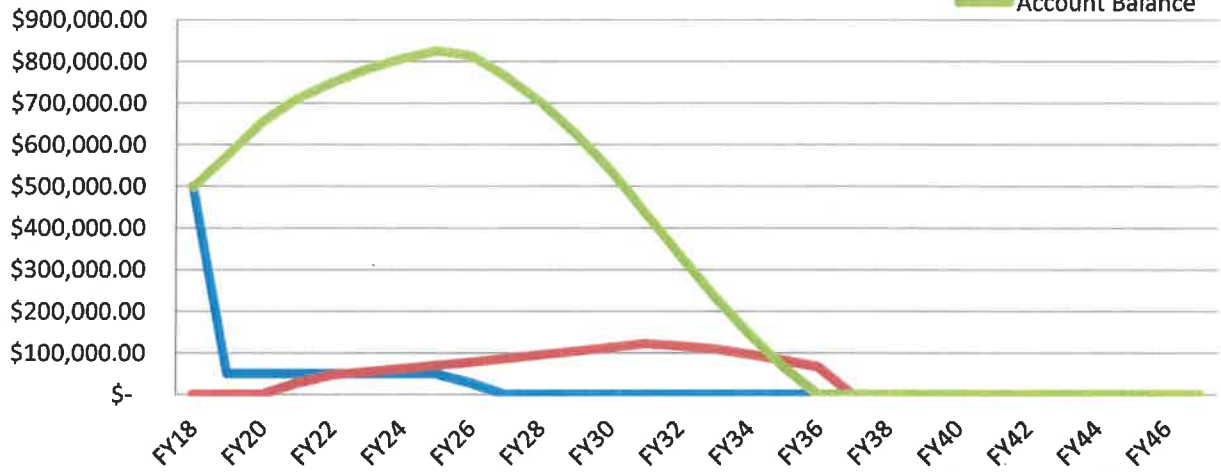
\$600K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	600,000	-	3,600	596,400	(3,600)
FY19	50,000	-	4,058	672,270	25,870
FY20	50,000	-	4,534	751,177	28,907
FY21	50,000	(26,816)	4,861	805,352	30,992
FY22	50,000	(47,192)	5,073	840,505	32,344
FY23	50,000	(54,608)	5,248	869,352	33,454
FY24	50,000	(62,246)	5,381	891,410	34,303
FY25	33,600	(70,113)	5,367	889,112	34,215
FY26	-	(78,216)	5,091	843,349	32,454
FY27	-	(86,563)	4,751	787,075	30,288
FY28	-	(95,160)	4,344	719,607	27,692
FY29	-	(104,015)	3,865	640,230	24,637
FY30	-	(113,135)	3,309	548,191	21,096
FY31	-	(122,529)	2,672	442,698	17,036
FY32	-	(116,727)	2,046	339,017	13,046
FY33	-	(110,286)	1,436	237,885	9,154
FY34	-	(96,877)	885	146,651	5,643
FY35	-	(82,385)	403	66,838	2,572
FY36	-	(66,756)	1	86	3
FY37	-	-	1	89	3
FY38	-	-	1	93	4
FY39	-	-	1	96	4
FY40	-	-	1	100	4
FY41	-	-	1	104	4
FY42	-	-	1	109	4
FY43	-	-	1	113	4
FY44	-	-	1	117	5
FY45	-	-	1	122	5
FY46	-	-	1	127	5
FY47	-	-	1	132	5
<b>TOTAL</b>	<b>933,600</b>	<b>(1,333,622)</b>	<b>66,932</b>		<b>400,154</b>

## Moderate Portfolio

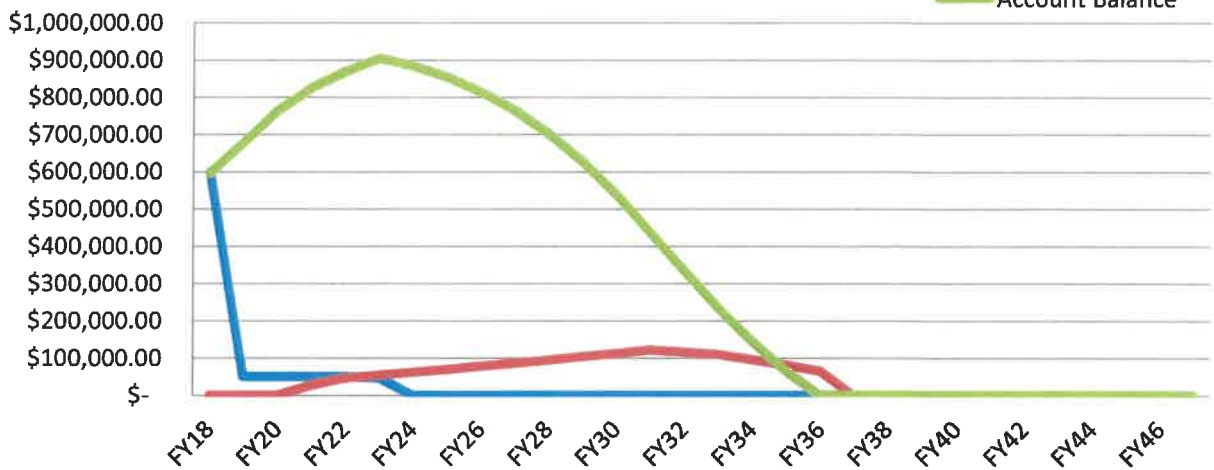
\$500K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
<b>FY18</b>	500,000	-	3,000	497,000	(3,000)
<b>FY19</b>	50,000	-	3,464	573,949	26,949
<b>FY20</b>	50,000	-	3,952	654,688	30,740
<b>FY21</b>	50,000	(26,816)	4,293	711,268	33,396
<b>FY22</b>	50,000	(47,192)	4,523	749,257	35,180
<b>FY23</b>	50,000	(54,608)	4,716	781,335	36,686
<b>FY24</b>	50,000	(62,246)	4,871	806,980	37,890
<b>FY25</b>	50,000	(70,113)	4,984	825,633	38,766
<b>FY26</b>	28,250	(78,216)	4,913	813,881	38,214
<b>FY27</b>	-	(86,563)	4,607	763,151	35,832
<b>FY28</b>	-	(95,160)	4,231	700,901	32,910
<b>FY29</b>	-	(104,015)	3,780	626,293	29,406
<b>FY30</b>	-	(113,135)	3,250	538,439	25,281
<b>FY31</b>	-	(122,529)	2,634	436,401	20,490
<b>FY32</b>	-	(116,727)	2,025	335,423	15,749
<b>FY33</b>	-	(110,286)	1,426	236,229	11,092
<b>FY34</b>	-	(96,877)	883	146,217	6,865
<b>FY35</b>	-	(82,385)	404	66,977	3,145
<b>FY36</b>	-	(66,756)	1	232	11
<b>FY37</b>	-	-	1	243	11
<b>FY38</b>	-	-	2	255	12
<b>FY39</b>	-	-	2	268	13
<b>FY40</b>	-	-	2	281	13
<b>FY41</b>	-	-	2	295	14
<b>FY42</b>	-	-	2	309	15
<b>FY43</b>	-	-	2	324	15
<b>FY44</b>	-	-	2	340	16
<b>FY45</b>	-	-	2	357	17
<b>FY46</b>	-	-	2	375	18
<b>FY47</b>	-	-	2	393	18
<b>TOTAL</b>	<b>878,250</b>	<b>(1,333,622)</b>	<b>61,978</b>		<b>455,765</b>

## Moderate Portfolio

### \$600K Initial Contribution

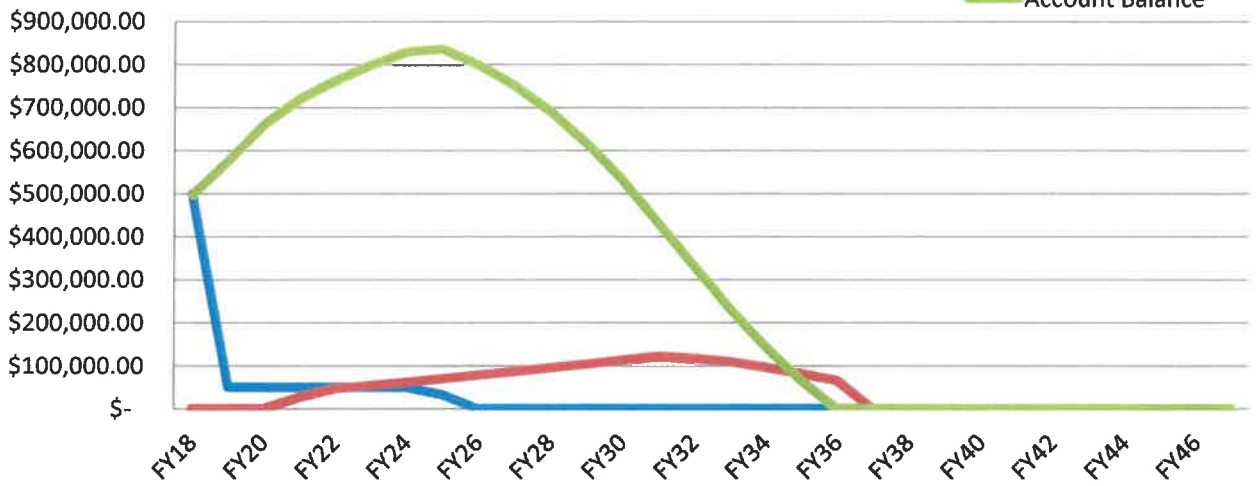


	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	600,000	-	3,600	596,400	(3,600)
FY19	50,000	-	4,094	678,246	31,846
FY20	50,000	-	4,612	764,124	35,878
FY21	50,000	(26,816)	4,986	826,095	38,788
FY22	50,000	(47,192)	5,250	869,741	40,837
FY23	47,000	(54,608)	5,460	904,607	42,474
FY24	-	(62,246)	5,335	883,862	41,500
FY25	-	(70,113)	5,154	853,839	40,090
FY26	-	(78,216)	4,912	813,835	38,212
FY27	-	(86,563)	4,606	763,103	35,830
FY28	-	(95,160)	4,230	700,850	32,907
FY29	-	(104,015)	3,780	626,240	29,404
FY30	-	(113,135)	3,250	538,384	25,279
FY31	-	(122,529)	2,634	436,342	20,488
FY32	-	(116,727)	2,024	335,362	15,746
FY33	-	(110,286)	1,426	236,165	11,089
FY34	-	(96,877)	882	146,149	6,862
FY35	-	(82,385)	404	66,906	3,141
FY36	-	(66,756)	1	157	7
FY37	-	-	1	165	8
FY38	-	-	1	173	8
FY39	-	-	1	182	9
FY40	-	-	1	191	9
FY41	-	-	1	200	9
FY42	-	-	1	210	10
FY43	-	-	1	220	10
FY44	-	-	1	231	11
FY45	-	-	1	243	11
FY46	-	-	2	255	12
FY47	-	-	2	267	13
<b>TOTAL</b>	<b>847,000</b>	<b>(1,333,622)</b>	<b>66,656</b>		<b>486,889</b>



## Balanced Portfolio

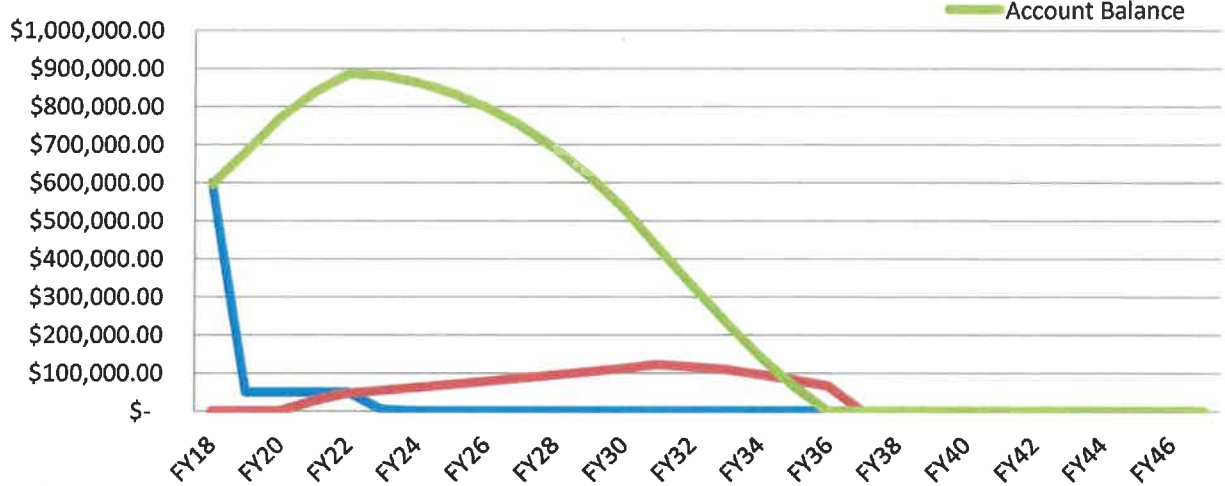
### \$500K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	500,000	-	3,000	497,000	(3,000)
FY19	50,000	-	3,481	576,667	29,667
FY20	50,000	-	3,988	660,655	33,988
FY21	50,000	(26,816)	4,352	720,928	37,089
FY22	50,000	(47,192)	4,606	762,989	39,253
FY23	50,000	(54,608)	4,826	799,514	41,132
FY24	50,000	(62,246)	5,010	829,967	42,699
FY25	33,000	(70,113)	5,045	835,855	43,002
FY26	-	(78,216)	4,821	798,730	41,092
FY27	-	(86,563)	4,532	750,793	38,625
FY28	-	(95,160)	4,172	691,193	35,559
FY29	-	(104,015)	3,737	619,025	31,846
FY30	-	(113,135)	3,219	533,328	27,438
FY31	-	(122,529)	2,614	433,079	22,280
FY32	-	(116,727)	2,013	333,510	17,158
FY33	-	(110,286)	1,421	235,331	12,107
FY34	-	(96,877)	881	145,963	7,509
FY35	-	(82,385)	405	67,026	3,448
FY36	-	(66,756)	2	285	15
FY37	-	-	2	300	15
FY38	-	-	2	316	16
FY39	-	-	2	333	17
FY40	-	-	2	351	18
FY41	-	-	2	371	19
FY42	-	-	2	391	20
FY43	-	-	2	412	21
FY44	-	-	3	434	22
FY45	-	-	3	458	24
FY46	-	-	3	483	25
FY47	-	-	3	509	26
<b>TOTAL</b>	<b>833,000</b>	<b>(1,333,622)</b>	<b>62,150</b>		<b>501,131</b>

## Balanced Portfolio

\$600K Initial Contribution

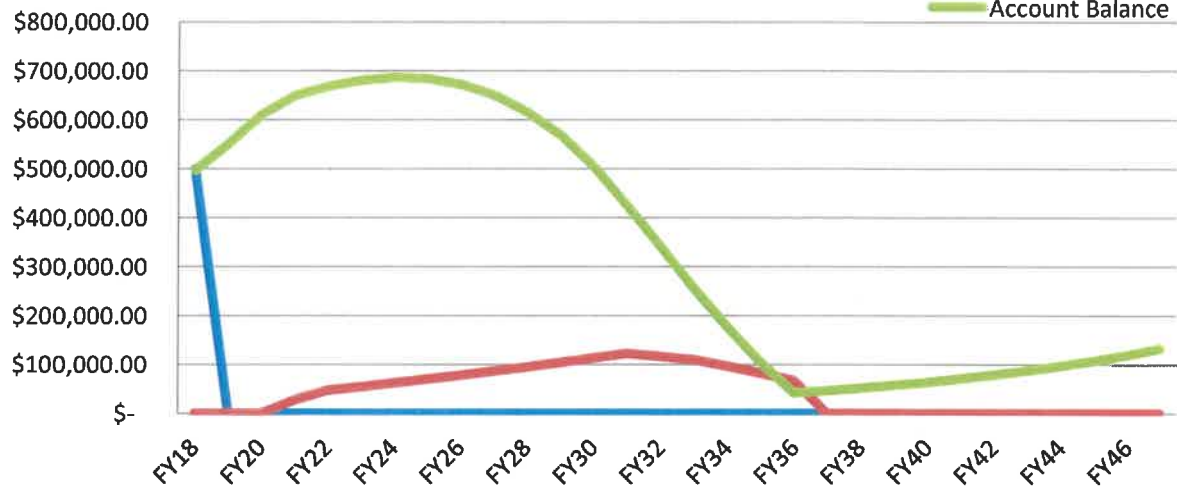


	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	600,000	-	3,600	596,400	(3,600)
FY19	50,000	-	4,113	681,458	35,058
FY20	50,000	-	4,655	771,130	39,672
FY21	50,000	(26,816)	5,055	837,394	43,081
FY22	50,000	(47,192)	5,347	885,772	45,570
FY23	4,300	(54,608)	5,317	880,777	45,313
FY24	-	(62,246)	5,209	862,926	44,394
FY25	-	(70,113)	5,045	835,812	42,999
FY26	-	(78,216)	4,821	798,685	41,089
FY27	-	(86,563)	4,532	750,746	38,623
FY28	-	(95,160)	4,172	691,143	35,557
FY29	-	(104,015)	3,736	618,972	31,844
FY30	-	(113,135)	3,219	533,272	27,435
FY31	-	(122,529)	2,614	433,020	22,277
FY32	-	(116,727)	2,013	333,448	17,155
FY33	-	(110,286)	1,420	235,266	12,104
FY34	-	(96,877)	881	145,894	7,506
FY35	-	(82,385)	404	66,953	3,444
FY36	-	(66,756)	1	208	11
FY37	-	-	1	219	11
FY38	-	-	1	231	12
FY39	-	-	1	244	13
FY40	-	-	2	257	13
FY41	-	-	2	271	14
FY42	-	-	2	286	15
FY43	-	-	2	301	15
FY44	-	-	2	317	16
FY45	-	-	2	335	17
FY46	-	-	2	353	18
FY47	-	-	2	372	19
<b>TOTAL</b>	<b>804,300</b>	<b>(1,333,622)</b>	<b>66,172</b>		<b>529,694</b>



# Capital Appreciation Portfolio

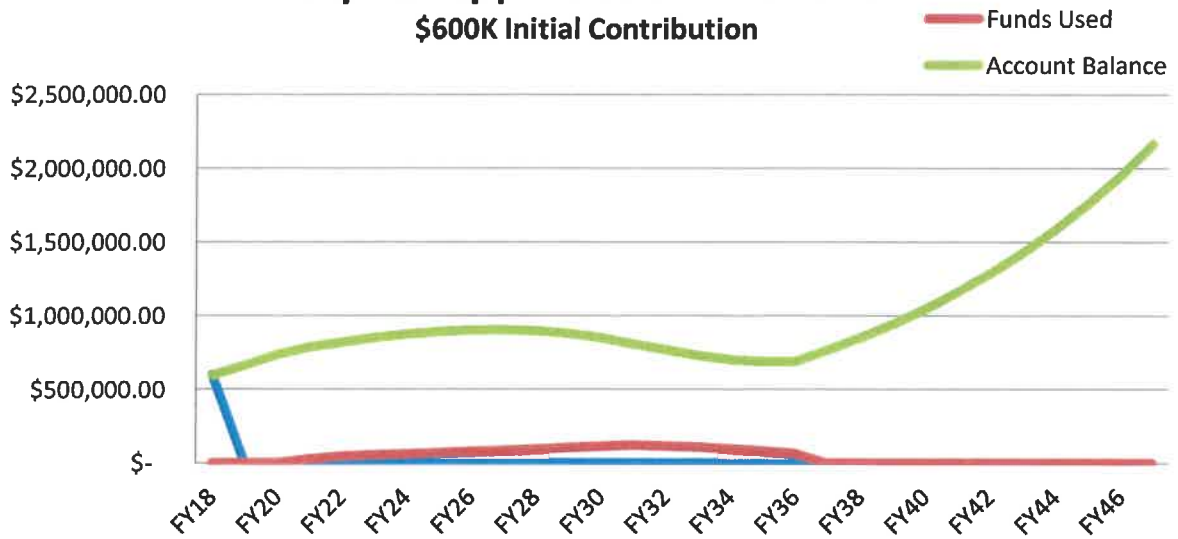
\$500K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	500,000	-	3,000	497,000	(3,000)
FY19	-	-	3,329	551,522	54,522
FY20	-	-	3,694	612,025	60,503
FY21	-	(26,816)	3,920	649,406	64,198
FY22	-	(47,192)	4,034	668,279	66,064
FY23	-	(54,608)	4,111	680,992	67,321
FY24	-	(62,246)	4,145	686,624	67,877
FY25	-	(70,113)	4,130	684,143	67,632
FY26	-	(78,216)	4,059	672,398	66,471
FY27	-	(86,563)	3,924	650,102	64,267
FY28	-	(95,160)	3,717	615,821	60,878
FY29	-	(104,015)	3,428	567,952	56,146
FY30	-	(113,135)	3,047	504,711	49,894
FY31	-	(122,529)	2,560	424,108	41,926
FY32	-	(116,727)	2,059	341,102	33,720
FY33	-	(110,286)	1,546	256,137	25,321
FY34	-	(96,877)	1,067	176,731	17,471
FY35	-	(82,385)	632	104,695	10,350
FY36	-	(66,756)	254	42,101	4,162
FY37	-	-	282	46,720	4,619
FY38	-	-	313	51,845	5,125
FY39	-	-	347	57,533	5,688
FY40	-	-	385	63,844	6,311
FY41	-	-	428	70,848	7,004
FY42	-	-	475	78,620	7,772
FY43	-	-	527	87,245	8,625
FY44	-	-	584	96,816	9,571
FY45	-	-	649	107,437	10,621
FY46	-	-	720	119,223	11,786
FY47	-	-	799	132,302	13,079
<b>TOTAL</b>	<b>500,000</b>	<b>(1,333,622)</b>	<b>62,163</b>		<b>965,924</b>

# Capital Appreciation Portfolio

\$600K Initial Contribution



	Contribution	Funds Used	Fees	Account Balance	Net Cash
FY18	600,000	-	3,600	596,400	(3,600)
FY19	-	-	3,995	661,826	65,426
FY20	-	-	4,433	734,429	72,603
FY21	-	(26,816)	4,740	785,239	77,626
FY22	-	(47,192)	4,944	819,013	80,965
FY23	-	(54,608)	5,120	848,262	83,856
FY24	-	(62,246)	5,265	872,243	86,227
FY25	-	(70,113)	5,373	890,125	87,995
FY26	-	(78,216)	5,438	900,977	89,068
FY27	-	(86,563)	5,455	903,757	89,343
FY28	-	(95,160)	5,416	897,301	88,704
FY29	-	(104,015)	5,314	880,312	87,025
FY30	-	(113,135)	5,139	851,337	84,161
FY31	-	(122,529)	4,882	808,760	79,951
FY32	-	(116,727)	4,636	767,950	75,917
FY33	-	(110,286)	4,405	729,811	72,147
FY34	-	(96,877)	4,240	702,367	69,434
FY35	-	(82,385)	4,153	687,995	68,013
FY36	-	(66,756)	4,161	689,390	68,151
FY37	-	-	4,618	765,018	75,627
FY38	-	-	5,124	848,941	83,924
FY39	-	-	5,687	942,071	93,130
FY40	-	-	6,310	1,045,418	103,347
FY41	-	-	7,003	1,160,102	114,684
FY42	-	-	7,771	1,287,367	127,265
FY43	-	-	8,623	1,428,594	141,226
FY44	-	-	9,569	1,585,313	156,719
FY45	-	-	10,619	1,759,224	173,911
FY46	-	-	11,784	1,952,214	192,990
FY47	-	-	13,077	2,166,375	214,161
<b>TOTAL</b>	<b>600,000</b>	<b>(1,333,622)</b>	<b>180,894</b>		<b>2,899,997</b>

### 30-Year Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule</u>		<u>Alternate Schedules</u>			
	Balance	Payment	20 Year Amortization		15 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2018	3,021,871	207,936	3,021,871	225,892	3,021,871	274,857
6/30/2019	3,029,266	182,865	3,010,660	232,669	2,959,922	283,102
6/30/2020	3,063,187	207,445	2,991,600	239,649	2,884,860	291,596
6/30/2021	3,074,139	235,043	2,963,901	246,839	2,795,461	300,343
6/30/2022	3,057,301	256,157	2,926,710	254,244	2,690,405	309,354
6/30/2023	3,017,342	263,842	2,879,102	261,871	2,568,264	318,634
6/30/2024	2,966,473	271,757	2,820,080	269,727	2,427,499	328,193
6/30/2025	2,903,650	279,910	2,748,564	277,819	2,266,446	338,039
6/30/2026	2,827,747	288,307	2,663,390	286,154	2,083,314	348,180
6/30/2027	2,737,544	296,956	2,563,297	294,738	1,876,168	358,626
6/30/2028	2,631,726	305,865	2,446,926	303,580	1,642,920	369,385
6/30/2029	2,508,873	315,041	2,312,811	312,688	1,381,322	380,466
6/30/2030	2,367,451	324,492	2,159,368	322,068	1,088,948	391,880
6/30/2031	2,205,806	334,227	1,984,888	331,731	763,185	403,636
6/30/2032	2,022,152	328,214	1,787,528	341,682	401,214	415,746
6/30/2033	1,831,184	321,540	1,565,300	351,933		
6/30/2034	1,633,047	307,645	1,316,061	362,491		
6/30/2035	1,434,696	292,627	1,037,501	373,366		
6/30/2036	1,237,279	276,431	727,128	384,567		
6/30/2037	1,042,086	173,271	382,259	396,104		
6/30/2038	939,393	171,125				
6/30/2039	831,350	176,259				
6/30/2040	710,020	181,546				
6/30/2041	574,262	156,162				
6/30/2042	454,796	153,823				
6/30/2043	328,942	136,409				
6/30/2044	211,852	99,635				
6/30/2045	124,233	60,531				
6/30/2046	70,672	54,734				
6/30/2047	19,168	19,862				
<b>Totals</b>		<b>6,679,656</b>		<b>6,069,812</b>		<b>5,112,037</b>
<b>Interest Paid</b>		<b>3,657,785</b>		<b>3,047,941</b>		<b>2,090,167</b>
<b>Estimated Savings</b>				<b>609,844</b>		<b>1,567,618</b>

\* This schedule does not reflect the impact of adopted discount rate changes that will become effective beyond June 30, 2016. For Projected Employer Contributions, please see Page 5.

**Humboldt Bay Municipal Water District**

To: Board of Directors

From: John Friedenbach

Date: March 1, 2018

Re: **Revised: Budget Authorization for FERC Required Spillway Engineering Assessments**

**Discussion**

As previously communicated to the Board, in response to the spillway failure at Oroville last year, FERC and DSOD are requiring increased scrutiny by dam owners throughout California. Two of the additional requirements by FERC yet to be completed by our District are:

1. Engineering Geology Review
2. Focused Spillway Potential Failure Mode Analysis (PFMA)

Staff proposes that the Geology review will be conducted by an experienced geologist engineer from GEI who has experience performing these analyses this past year for multiple dams throughout California and reporting to FERC. GHD staff will provide technical support and review services for this task.

Staff proposes that the focused spillway PFMA will be coordinated by our Chief Dam Safety Consultant, Bill Rettberg, of GEI and will include participation by: GHD, HBMWD staff, DSOD, and FERC. Staff plans to use video conferencing to connect the various participants to minimize travel time and associated costs. GEI will prepare the PFMA report for submittal to FERC. In addition to participating in the PFMA, GHD will review the PFMA report and assist with incorporating both project reports into the District Final Spillway Assessment Work Plan for submittal to FERC. A Spillway Assessment Work Plan Update was submitted to FERC prior to December 31, 2017.

**Action**

Staff requests that the Board authorize additions to the current year's project budget for the spillway geologic assessment and spillway probable failure mode analysis in the amounts of ~~\$7,000~~ **\$19,200** and \$22,000 respectively which includes fees for both GEI and GHD. Staff proposes to fund these projects either through the budget re-allocation process at the end of the fiscal year or if necessary by using the Board Designated reserves of the MSRA, if authorized by the Board.

**TABLE 1: BUDGET SUMMARY**  
**Qualified Dam Safety Engineering Consultant Focused PFMA Services**

Task	2018 QDSCE Services	Hours	Rate	Amount Labor	Misc. ODC @5% Labor	Total
1.1	2017 DSSMR Review & Statement	10	\$ 275	\$ 2,750	\$ 138	\$ 2,888
1.2	ODSE training and review	8	\$ 275	\$ 2,200	\$ 110	\$ 2,310
1.3	Misc conf calls, coordination with FERC, ODSP	16	\$ 275	\$ 4,400	\$ 220	\$ 4,620
1.4	Engineering Geology: background review, site visit, reporting	100	See Table 2 for detailed breakdown			\$ 19,341
1.5	Focused Spillway PFMA and reporting	91	See Table 2 for detailed breakdown			\$ 17,165
	<b>Total</b>					<b>\$ 46,324</b>

# **OPERATIONS**

Memo to: HBMWD Board of Directors  
From: Dale Davidsen, Superintendent  
Date: February 27, 2018  
Subject: Essex/Ruth February 2018 Operational Report

### **Upper Mad River, Ruth Lake, and Hydro Plant**

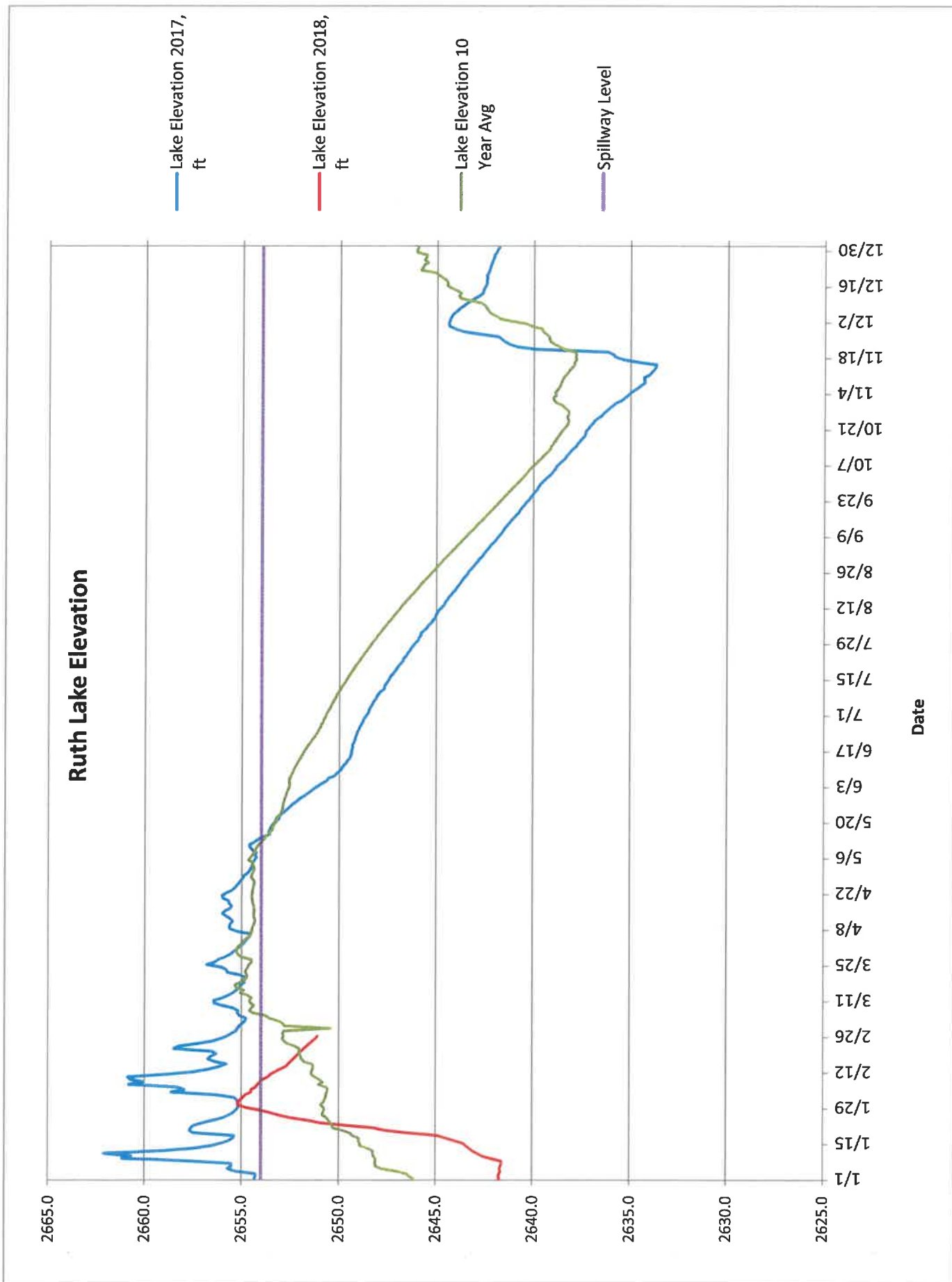
1. The flow at Mad River above Ruth Reservoir (Zenia Bridge) was 358cfs on February 1<sup>st</sup> and dropped steadily to 40 cfs on February 26<sup>nd</sup>.
2. The conditions at Ruth Lake for the month of February were as follows:
  - a. The lake level on February 27<sup>th</sup> was 2650.92 feet which is:
    1. 4.24 feet lower than January 30<sup>st</sup>, 2018
    2. 4.58 feet lower than February 27<sup>th</sup>, 2017
    3. 1.89 feet lower than the ten year average
    4. 3.08 feet below the spillway
3. There was 1.42 inches of recorded rainfall for February 2018 at Ruth Headquarters.
4. Ruth hydro power production was 691,200 kWh up to February 27<sup>th</sup> with 1 shutdown and 8007 kWh lost power.
5. The high discharge flow from the lake for the month was 580.2 cfs on February 1<sup>st</sup> and the low release flow from the lake was 135.9 cfs on February 24<sup>th</sup>.

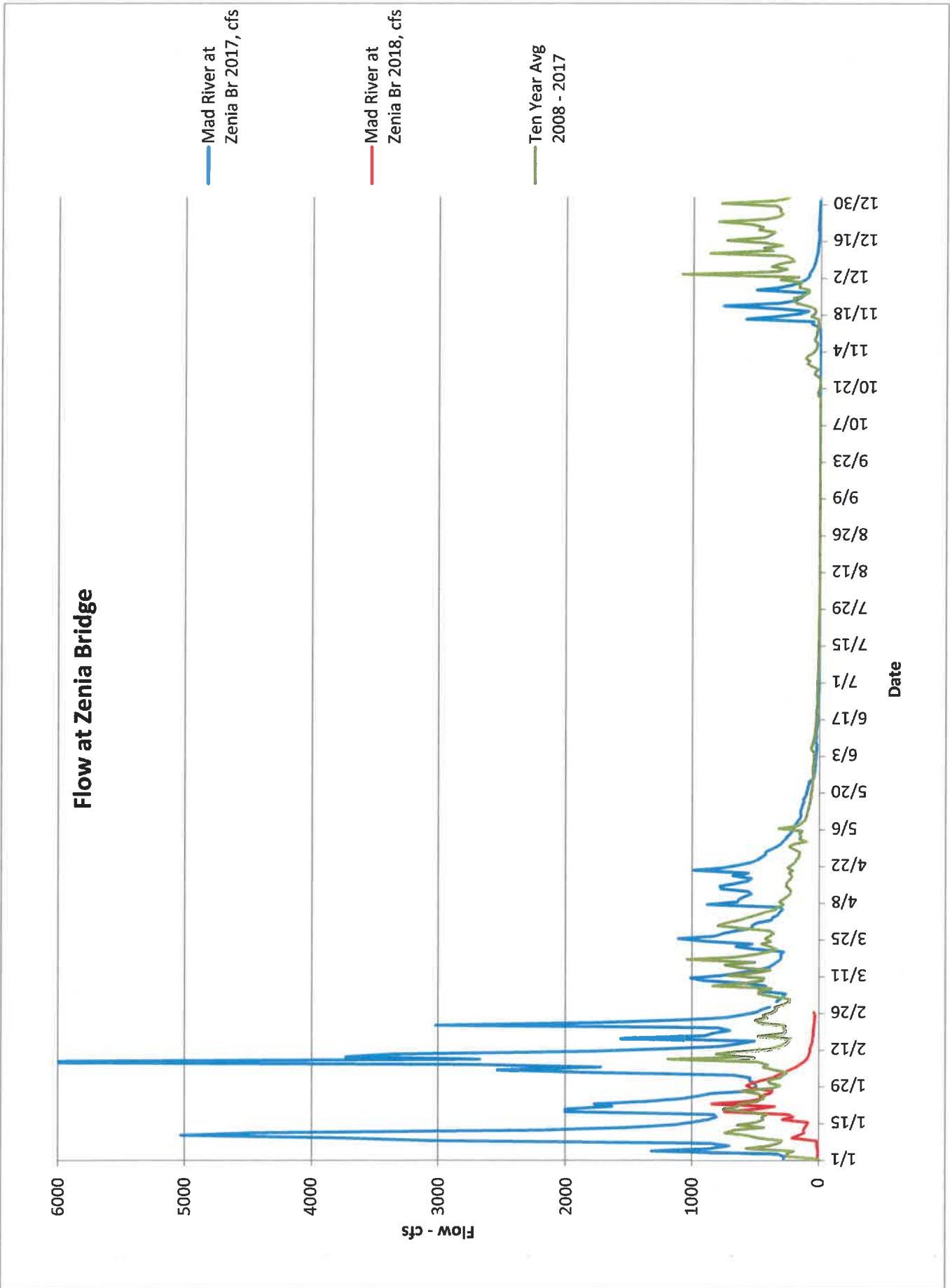
### **Lower Mad River, Winzler Control, and TRF**

6. The river at Winzler Control Center reached a high recorded flow of 2520 cfs and a level of 24.0 feet on February 1<sup>st</sup>. The low river flow was on February 18<sup>th</sup> with a flow of 505 cfs and a level of 22.2 feet.
7. The domestic water conditions were as follows:
  - a. The monthly turbidity average was 0.05 NTU, which meets Public Health Secondary Standards.
  - b. As of February 26<sup>th</sup> we pumped 183.73 million gallons at an average of 7.08 MGD.
  - c. The maximum metered daily municipal customer use was 7.641 MGD on February 15<sup>th</sup>.
8. The Turbidity Reduction Facility ran 26 days so far in February. The conditions were as follows:
  - a. Average monthly source water turbidity was 0.42 NTU.
  - b. Average monthly filtered water turbidity was 0.05 NTU.
  - c. We did 36 backwashes on the TRF filters in the month of February.

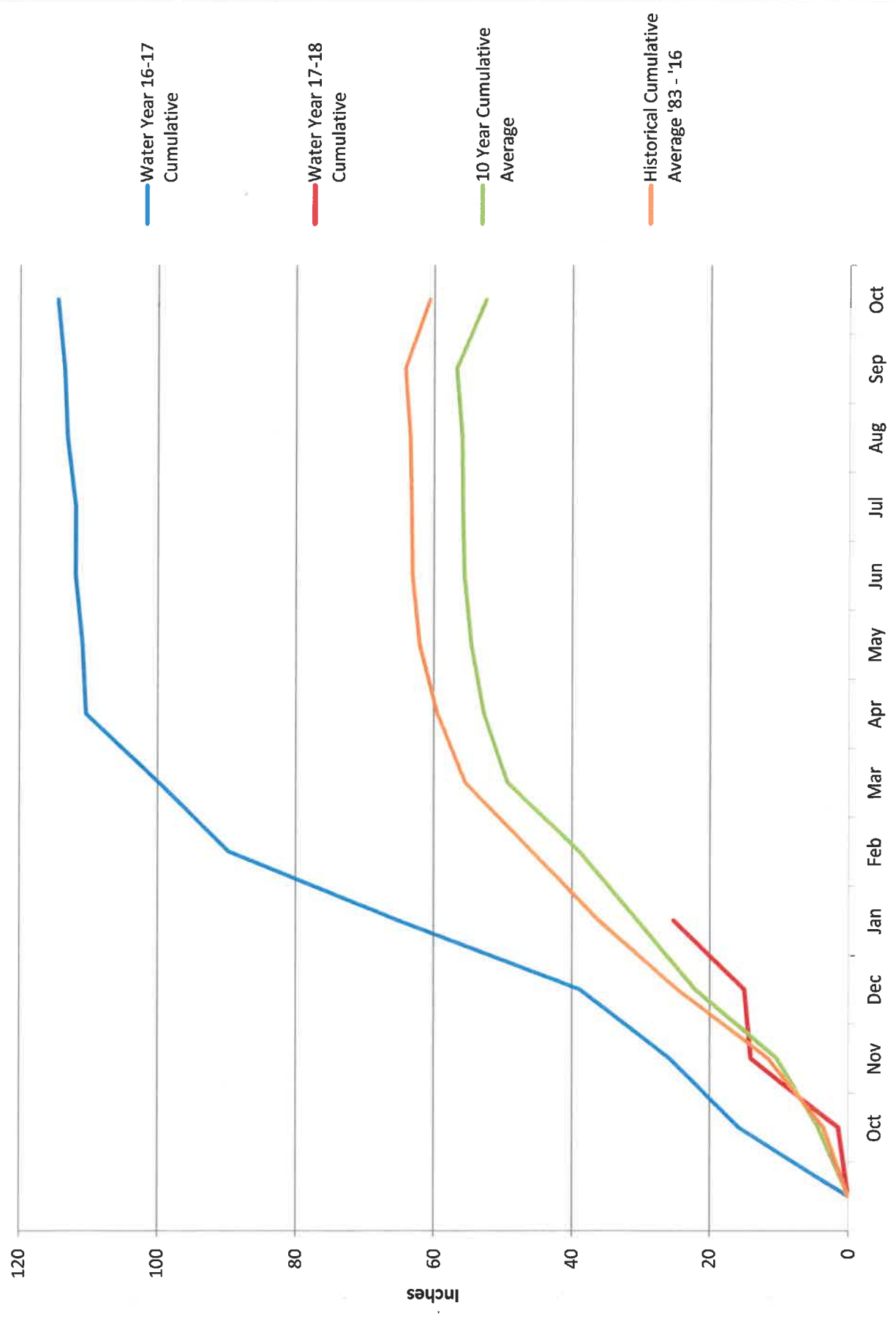
9. February 5<sup>th</sup> – 9<sup>th</sup> – Ryan, Mario and Dave went to Rockwell training in Modesto.
10. February 1 - Operations supervisors met with Peninsula School and made a Lead sampling plan per AB 746 requirements.
11. February 2 - Operations supervisors met with Fieldbrook School and made a Lead sampling plan per AB 746 requirements.
12. February 7<sup>th</sup> – I reviewed new Safety Data Sheets (SDS) conversion from MSDS. This is a required conversion from the old MSDS system to the new GHS – SDS system. Our SDS library is 3 – 4 inch binders of Safety Data Sheets.
13. February 13<sup>th</sup> – I met with GEI geologist Chris Slack in Fortuna and we went to Ruth to look at the Left and Right abutments and cut slope, surficial slide below left abutment, spillway and plunge pool.
14. February 15<sup>th</sup> & 16<sup>th</sup> – Justin from Telstar was up to do Historian training for some of our staff.
15. February 21<sup>ST</sup> – Half of the Essex staff did our annual Hearing and Respirator physicals at MROH. The others will do theirs on March 5<sup>th</sup>.
16. February 26<sup>th</sup> – March 2<sup>nd</sup> – Dave Corral went to Sacramento for more Rockwell training
17. February 26<sup>th</sup> – The standby generator at the TRF had a catastrophic failure and over sped. I will provide details at the Board meeting.
18. February 28<sup>th</sup> – March 2<sup>nd</sup> – Mario and Larry went to Roseville for JPIA leadership training.
19. Current Projects
  - a. Supervisors and I are working on the 18/19 budget development process.
  - b. SCADA upgrade – Telstar has sent us the final invoice for the SCADA project in the amount of \$19,302.21. See invoice Pg. J3a 8. We also have one change order in the amount of \$-2,548.00. See change order Pg. J3a 9

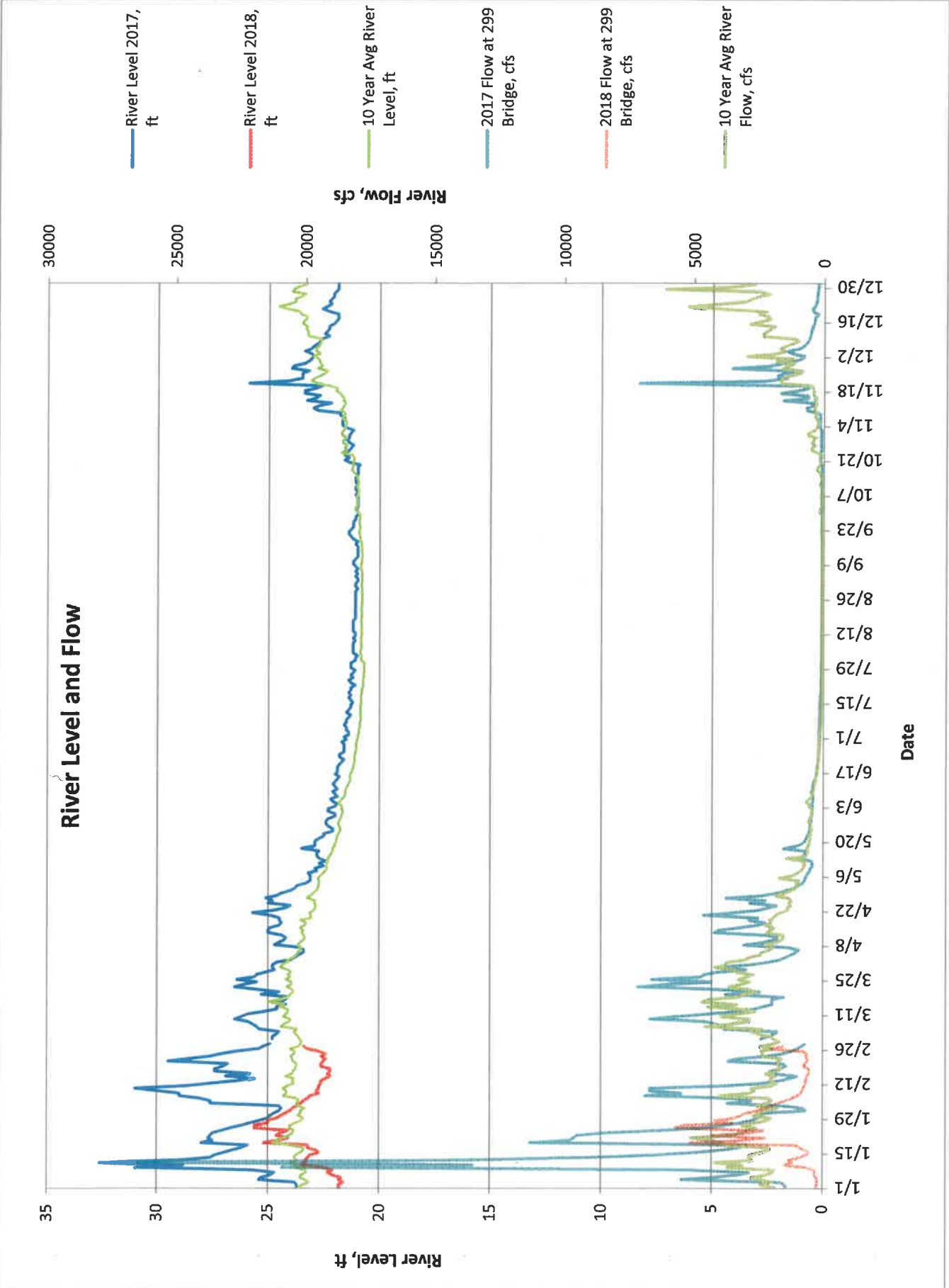




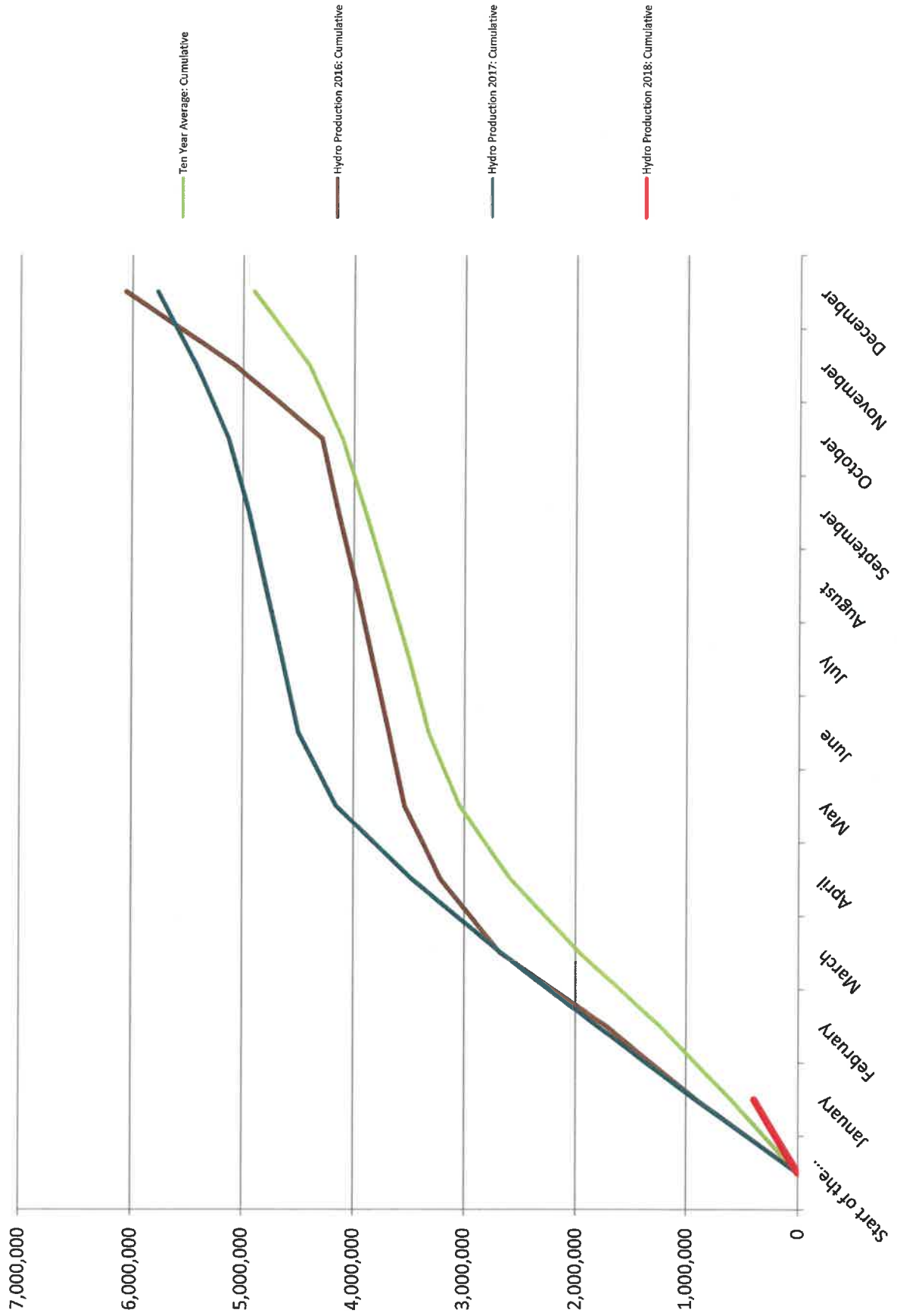


Ruth Rainfall - Water Year 2016-2017





### Ruth Hydro Production: kW per Month



# TELSTAR INSTRUMENTS

1717 SOLANO WAY, UNIT 34  
CONCORD, CA 94520  
(925) 671-2888 Fax (925) 671-9507

SECTION J300 PAGE NO. 8

**CUSTOMER #:** HUMWD

**INVOICE #:** 93366

**INVOICE DATE:** 02/28/18

**DUE DATE:** 03/30/18

**BILL TO:**

HUMBOLDT BAY MUNICIPAL WATER DIS  
ATTN: ACCOUNTS PAYABLE  
828 7TH STREET  
EUREKA, CA 95501

**JOB:** 30285

HUMBOLDT BAY/SCADA SYS UPG  
828 SEVENTH STREET  
EUREKA, CA 95501

**YOUR P.O. #**

DESCRIPTION	QUANTITY	PRICE	AMOUNT
PROGRESS BILLING #8			20,318.12

REFERENCE: PROGRESS BILLING #8 FOR FEBRUARY 2018  
AS PER ATTACHED SCHEDULE OF VALUES

PROJECT: SCADA SYSTEM UPGRADE

TELSTAR JOB NO. 30285

**SUBTOTAL** 20,318.12

**LESS RETENTION:** -1,015.91

**NET DUE:** 19,302.21

**Thank you for your business!**



**CHANGE ORDER #1**

Date 1/26/2018

**PROJECT: Humboldt Bay Municipal Water District  
SCADA System Upgrade Project**

**CONTRACTOR: Telstar Instruments Inc.**

**Description of Change:**

In the contract there are specific training subjects to be provided to District staff. One of the trainings was a Basic PLC Maintenance class, (Section 17330 - Paragraph 3.7.C) two people of the HBMWD staff were slated to attend. After review of the class provided in the contract, we have decided that the class was too basic and of no real value to the District staff. We requested and Telstar agreed to a reduction in contract value for the amount of the value of the class.

Adjustment of Contract Sum		Adjustment of Contract Completion Date	
Original Sum of Contract	\$ 495,000.00	Original Contract Completion Date	
Prior Adjustments	\$ -	Prior Adjustments in Calendar Days	0
Contract Sum Prior to this Change	\$ 495,000.00	Adjustment in Calendar Days for this Change Order	0
Adjustment for this Change	\$ 2,548.00	Revised Contract Completion Date	
Revised Contract Sum	\$ 492,452.00		

**Note:**

CONTRACTOR WAIVES ANY CLAIM FOR FURTHER ADJUSTMENTS FOR THE CONTRACT SUM RELATED TO THE ABOVE DESCRIBED CHANGE IN THE WORK.

RECOMMENDED BY: Dale H. Davidson DATE 1-26-18  
Superintendent

APPROVED BY: [Signature] DATE 1-26-18  
Owner

ACCEPTED BY: [Signature] DATE 2/27/2018  
Contractor

Calculation of PG&E ReMat & Muni Funds FY2017/18  
 January 1-31, 2018

PERIOD	KWH	\$/KWH	ReMat Payment Received	Muni PG&E Base Rate	Rebate To Muni's	JTN Energy	Henwood Assoc., Inc.	Balance To ReMat Fund (County)
DAY/PEAK	115,215.30	0.12483277	14,382.65	0.02943	\$ 13,081.56	\$ 1,244.59	\$ 1,244.59	\$ 27,077.23
SHOULDER/MID-DAY	130,408.90	0.06406714	8,354.93					
NIGHT	198,873.20	0.10011606	19,910.40					
	444,497.40		\$ 42,647.97					

Professional Services related to ReMat Contract \$0.0056 Contract is split 50/50\*

Current Blended Rate Per Kwh \$ 0.10

\*Separate checks are issued to JTN Energy & Henwood Associates, Inc. AFTER payment for month is received from PG & E G/Accounting/ReMat Analysis/ReMat Revenue & Payment





SECTION JBb, PAGE NO. 2

## Humboldt Bay Municipal Water District Ruth Hydro Production Report – Since June 1983

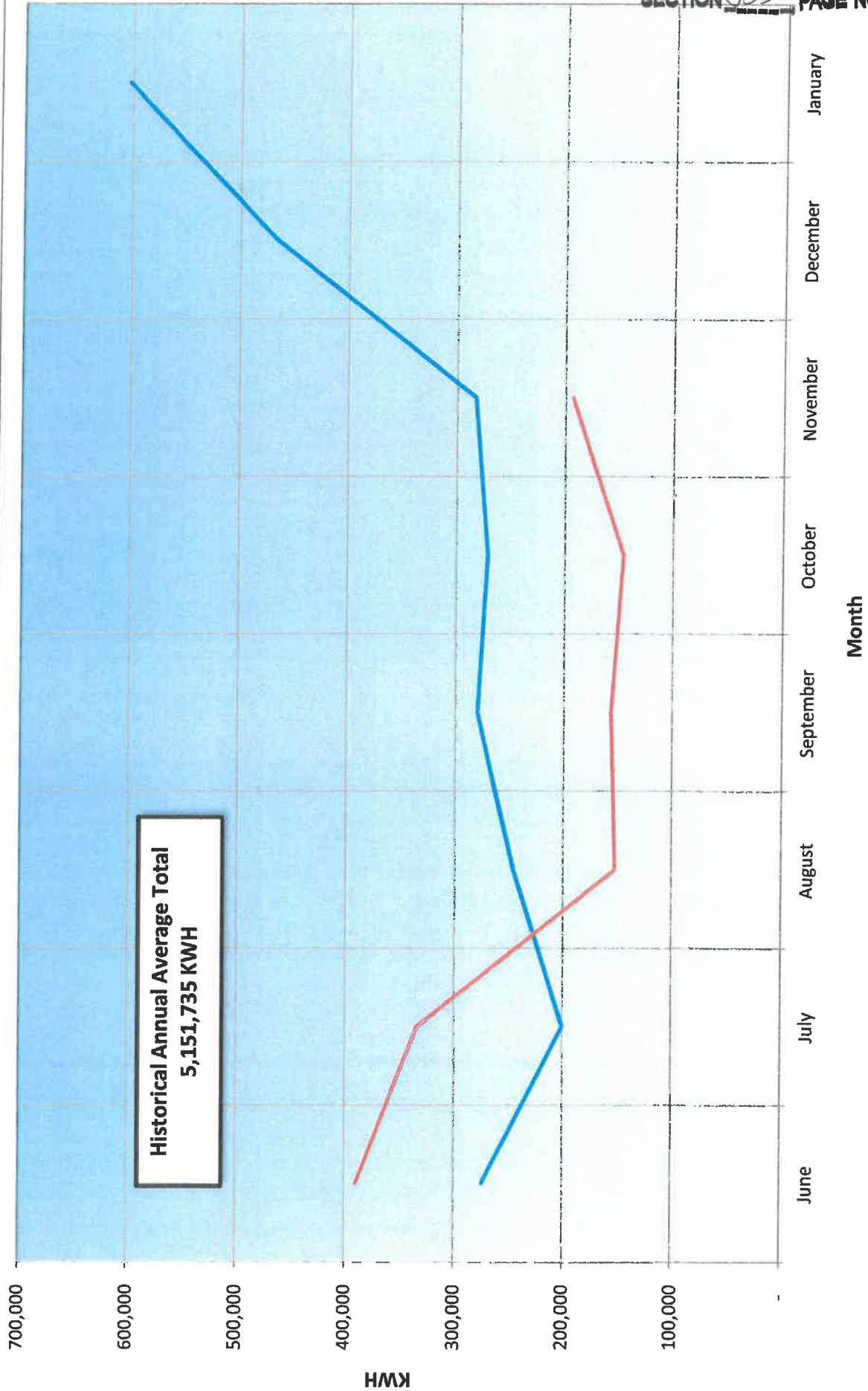
**PG&E June 1983 through May 14, 2017**

	Total Kwh Production	Average Monthly KWH Production
On Peak	11,630,086	28,575
Part Peak	58,575,072	143,919
Off Peak	83,856,378	206,035
Super Off Peak	26,796,680	65,840
<b>Grand Total</b>	<b>180,858,216</b>	<b>444,369</b>
	Pre REMAT Total Revenues	\$ 8,790,377.99
	<b>No. of Months of Operation</b>	<b>407.5</b>
	Average \$/Kwh	\$ 0.0486

### REMAT May 15, 2017 to January 2018

2017/2018 Month	Production KWH			Totals		REMAT #of Mos	Total No. of Months of Operation	Cumulative		
	Day	Shoulder	Night	Total KWH	Monthly Revenues			REMAT Revenues	Grand Total Revenues to Date	Avg \$/Kwh REMAT
May	96,070.1	113,974.6	179,458.6	389,503.3	\$ 30,388.07	0.5	407.5	\$ 30,388.07	\$ 8,820,766.06	\$ 0.0932
June	81,535.2	96,802.0	155,848.2	334,185.4	\$ 26,120.87	1	408	\$ 56,508.94	\$ 8,846,886.93	\$ 0.0932
July	37,839.9	43,978.6	69,926.9	151,745.4	\$ 14,146.42	2	409	\$ 70,655.36	\$ 8,861,033.35	\$ 0.0932
August	39,075.2	45,418.9	71,539.6	156,033.7	\$ 14,543.49	3	410	\$ 85,198.85	\$ 8,875,576.84	\$ 0.0932
September	36,363.2	42,226.0	66,220.2	144,809.4	\$ 13,497.57	4	411	\$ 98,696.42	\$ 8,889,074.41	\$ 0.0932
October	48,570.2	56,566.9	87,605.6	192,742.7	\$ 18,457.96	5	412	\$ 117,154.38	\$ 8,907,532.37	\$ 0.0958
November	77,434.5	88,110.3	138,532.3	304,077.1	\$ 29,180.65	6	413	\$ 146,335.03	\$ 8,936,713.02	\$ 0.0960
December	83,746.8	100,340.0	158,937.6	342,718.4	\$ 32,775.44	7	414	\$ 179,110.47	\$ 8,969,488.46	\$ 0.0956

**Historical vs. Actual Cumulative Production  
Gosselin Hydroelectric Plant at Ruth lake  
All Data in Kilowatt Hours**

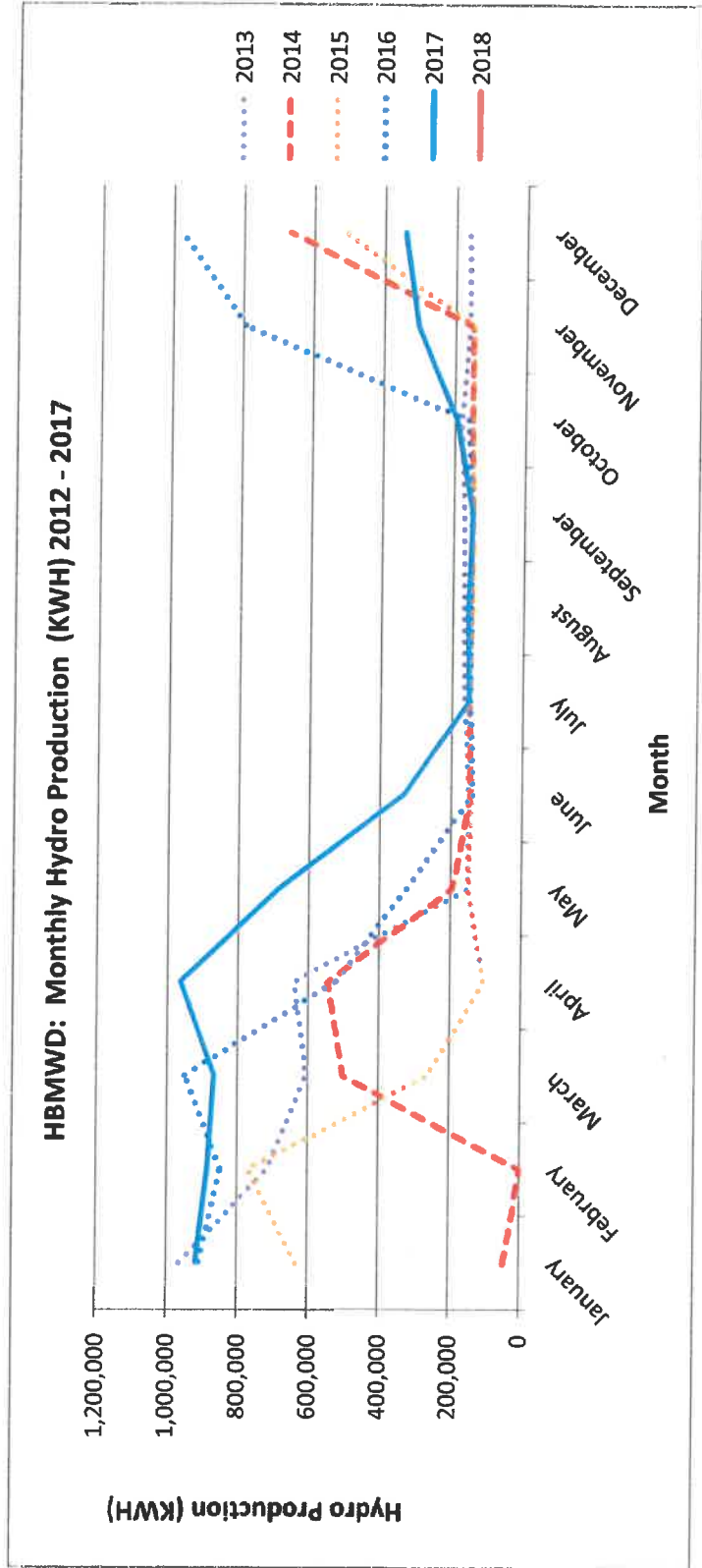


**Historical Annual Average Total  
5,151,735 KWH**

— Historical PG&E Average Kwh  
— Current FY Production REMAT

**Humboldt Bay Municipal Water District  
Monthly Hydro Electric Production (KWH) for CY2013 - 2018**

Month	2013	2014	2015	2016	2017	2018
January	962,724	47,002	632,611	907,103	916,562	44,497
February	713,055	0	769,170	848,575	884,477	
March	605,327	501,812	261,555	950,250	866,400	
April	642,402	545,893	106,258	523,573	962,033	
May	152,795	196,968	151,803	323,636	682,547	
June	152,044	147,630	143,055	142,248	334,185	
July	164,775	149,503	150,599	147,564	151,745	
August	168,428	148,220	140,977	147,531	156,034	
September	169,768	145,020	145,468	148,770	144,809	
October	178,812	148,715	147,574	159,930	192,743	
November	157,195	148,816	145,196	793,097	304,077	
December	160,936	665,823	510,915	978,889	342,718	
<b>Total Annual</b>	<b>4,228,261</b>	<b>2,845,402</b>	<b>3,305,181</b>	<b>6,071,166</b>	<b>1,801,039</b>	<b>44,497</b>



**Electric Statement**

**SELLER:**  
 Humboldt Bay Municipal Water District  
 828 7th Street  
 Eureka, CA 95501  
 Attention: General Manager

Invoice prepared	2018-02-02 18:51:09
Invoice period	2018-01
Contract reference	33R403RM
Executed	2016-10-16
Payment due	2018-03-02
Meter id	LOWGAP_7_QFUNTS
Channel	WH3_REC
Project	Matthews Dam Hydro

**PURCHASER:**  
 Pacific Gas and Electric Company  
 P.O. Box 770000  
 Mail Code N12E  
 San Francisco, CA 94177  
 Attention: Azmat Mukhtar  
 (ASM3@pge.com), Mgr. Bilateral  
 Settlements

**Summary Invoice**

Charge	Gen (kWh)	Sold (kWh)	TOD factor	TOD \$/kWh	Energy (\$)
Day	115,215.3	115,215.3	1.399	0.12483277	14,382.64
Shoulder	130,408.9	130,408.9	0.718	0.06406714	8,354.93
Night	198,873.2	198,873.2	1.122	0.10011606	19,910.40
Totals	444,497.4	444,497.4	1.075	0.09594650	42,647.97

**HUMBOLDT BAY MUNICIPAL WATER DISTRICT**

To: Board of Directors  
From: Mario Palmero / John Friedenbach  
Date: March 2, 2018  
Subject: Water Sampling

.....

The purpose of this memo is to summarize the District's water sampling regimen. This is in response to an inquiry by a Board member about the required water sampling at the District. This is informational only.

HBMWD is required to conduct a number of water samplings throughout the year. The requirements are separated into two categories: permit sampling and constituent sampling.

- **Permit sampling:** We must meet all sampling requirements outlined in our operating permit. These are the daily tests we conduct to maintain proper water quality; for example, our daily chlorine and turbidity sampling. Sampling that is related to our District's designation as a ground water system not under the influence of surface water, also falls in this category. These include the MPA (Microscopic Particulate Analysis) sampling we do twice a year.
- **Constituent sampling:** The constituent sampling is based on EPA regulations for any given contaminate. On an ongoing basis, EPA establishes and evaluates MCL (Maximum Contaminate Levels) for contaminants and amends our sampling requirements. Our sampling requirements are based on our treatment plant designation of a ground water system not under the influence of surface water. Based on this designation, the EPA has established a set of contaminants requiring sampling. These include Lead and Copper sampling, TTHM (total trihalomethane) and HAA5 (Haloacetic Acids). At times, the EPA makes changes to the required sampling. For instance, starting this year, we are required to sample for 1,2,3 -TCP (Trichloropropane, a manmade chemical with carcinogenic properties, found at industrial or hazardous waste sites). As EPA establishes new or changing MCLs for contaminants, our sampling requirements change. We constantly look for these changes, so we can comply with our requirements. The last sampling requirement to mention is the UCMR (Unregulated Contaminate Monitoring Rule) sampling. This is for currently unregulated contaminants that EPA is trying to establish monitoring requirements for new sampling. Based on the results of the UCMR testing, EPA will determine how prevalent it is and where it's being found. Then they will determine if it needs to become part of an ongoing constituent sampling program. The EPA decided who takes part in the UCMR testing based on factors like size, location and source water designation. HBMWD will be taking part in this year's UCMR 4 testing.

Attached are charts of our Constituent Sampling and 2018 Constituent Sampling by month.

Also attached is a copy of our annual Consumer Confidence Report (CCR) for calendar year 2016. This annual report is prepared to summarize our sampling results and is provided to our retail customers and posted on our District website.

# HBMWD Constituent Sampling

CONSTITUENT	SAMPLING LOCATION	SYSTEM	FREQUENCY	DUE	MONTH
<b>HBMWD</b>					
Giardia & Cryptosporidium	Ranney 2 Ranney 1, 3, & 4 I / W	Collection	Twice per year	2018	January & September (Winter - high flow, Summer - low flow)
Microscopic Particulate Analysis (MPA)	Ranney 2 Ranney 1, 3, & 4 I / W	Collection	Twice per year	2018	January & September (Winter - high flow, Summer - low flow)
VOC'S	Ranney	Collection	Every 6 years	2018	July
General Mineral & Physical	Ranney & I / W	Collection	Every 9 years	2016	July
Secondary Standards	Ranney	Collection	Every 9 years	2016	
Inorganic	Ranney	Collection	Every 9 years	2015	April
Nitrate	Ranney	Collection	Yearly	2016	September
Nitrite	Ranney	Collection	Every 3 years	2011	September
MBA's	Ranney	Collection	Every 9 years	2013?	May
SOC'S	Ranney	Collection	Every 6 years	2018	Will be Determined
Radionuclides (Gross Alpha & Radium 226)	Ranney	Collection	Every 9 years	2014	Quarterly - January, March, June, October
Perchlorate	Ranney	Collection	Every 3 years	2018	September
Asbestos	Distribution System	Distribution	Every 9 years	2015	April
UCMR (3)	DW RES	Pre Distribution		Next: TBD	TBD
UCMR (3)	FB Reservoir	Pre-Distribution		Next: TBD	TBD
TTHM / HAA5	2397 Lincoln Ave. Fairhaven	Distribution	Once per year	August	August
Lead & Copper	5 SITES	Post Distribution (customer taps)	Every 3 years	2011	September
<b>FGCSD</b>					
Lead & Copper	10 SITES	Post Distribution (customer taps)	Every 3 years	2011	September
TTHM/HAA5	Fieldbrook Reservoir	Distribution	Once per year	Once per Year	August
Perchlorate			Every 3 years	TBD	September
Asbestos	Fieldbrook Reservoir	Distribution	Every 9 years	2015	April

#N/A

# CONSTITUENT SAMPLING FOR 2018

Month	Sample	Date Taken	Results Received
January	MPAs: to include Giardia and Cryptosporidium - Essex Lab Pump Stations 1, 3, &4, Pump Station 2, and grab sample from the river		
February	Regulated VOC's + 1,2,3 TCP - from Pump Stations 1, 3, 4 & Raw		
April	Prechlorates - from Pump Stations 1, 3, 4 & Raw		
May	Regulated VOC's + 1,2,3 TCP - from Pump Stations 1, 3, 4 & Raw		
July	UCMR 4 - AM1 Metals, Pesticides, Alcohols, SVOC		
	UCMR 4 - AM2 HAA		
August	TTHM / HAA5 – at 2397 Lincoln Avenue / Fieldbrook Reservoir		
	Nitrate as N - from Pump Stations 1, 3, 4 & Raw		
	Regulated VOC's + 1,2,3 TCP - from Pump Stations 1, 3, 4 & Raw		
September	MPAs: to include Giardia and Cryptosporidium - Essex Lab Pump Stations 1, 3, & 4, Pump Station 2, and grab sample from the river		
October	Regulated SOC's - from Pump Stations 1, 3, 4 & Raw		
November	Regulated VOC's + 1,2,3 TCP - from Pump Stations 1, 3, 4 & Raw		
Monthly	<i>Chlorine residuals will be taken at the same time and site as the monthly coliform samples and reported on the lab forms</i>		
Monthly & Quarterly	<i>Daily chlorine residual will be reported on a quarterly report form to DHS as a monthly average as per DBPR requirements</i>		
Annual - September	<i>TTHM / HAA5 results will be reported on an annual report form to DHS as per DBPR requirements</i>		

## 2016 Consumer Confidence Report

<b>Water System Name:</b>	<b>Humboldt Bay Municipal Water District</b>	<b>Report Date:</b>	3/29/2017
---------------------------	--	---------------------	-----------

*In 1996, Congress amended the Safe Drinking Water Act, adding a requirement that water systems deliver to their customers a brief annual water quality report; the Consumer Confidence Report (CCR). This report represents Humboldt Bay Municipal Water District's (District) 2016 CCR. This CCR includes information on source water, contaminants that may be present in source water, levels of any detected contaminants, and compliance with drinking water regulations (including monitoring requirements), plus additional general information on drinking water. This report also describes the regulatory system to protect public health and responsibilities of the federal and state government.*

*California regulations prescribe what information must be presented by public water systems in their CCR. We test the drinking water quality for many constituents as required by state and federal regulations. This report shows the results of our monitoring for the period of January 1 - December 31, 2016 and may include earlier monitoring data. The results are compared to State standards and shown in Tables 1- 6 depending on the type of constituents, detection levels, and whether they are regulated or unregulated. As part of the federal drinking program, in 2013 the District participated in the Unregulated Contaminant Monitoring Rule (UCMR) 3 testing (described on page 5, results in Table 6).*

**Este informe contiene información muy importante sobre su agua potable. Tradúzcalo ó hable con alguien que lo entienda bien.**

<b>Time and place of regularly scheduled board meetings for public participation:</b>	
Second Thursday of each month at 9:00am at Eureka Office, 828 7th Street, Eureka, California	
<b>For more information, contact:</b> Mario Palmero, Operations Supervisor	Phone: 707-822-2918
<b>Type of water source:</b>	
The District's source water has been classified by the State Water Resources Control Board (SWRCB) as groundwater. The classification is important as to the regulations that a water system must follow to ensure water quality.	
<b>Name &amp; general location of source:</b>	
<p>The sources of drinking water (both tap water and bottled water) include rivers, lakes, streams, ponds, reservoirs, springs, and wells. As water travels over the surface of the land or through the ground, it dissolves naturally-occurring minerals and, in some cases, radioactive material, and can pick up substances resulting from the presence of animals or from human activity.</p> <p>The Humboldt Bay Municipal Water District is a regional water wholesaler that supplies the drinking water to local communities. Drinking water delivered by the District is drawn from wells below the bed of the Mad River northeast of Arcata. This water-bearing ground below the river is called an aquifer. These wells, called Ranney Wells, draw water from the sands and gravel of the aquifer at depths of 60 to 90 feet, thereby providing a natural filtration process. During the summer, this naturally filtered water is disinfected via chlorination and delivered to the District's wholesale municipal and retail customers in the Humboldt Bay area.</p> <p>During the winter, it is further treated at a regional Turbidity Reduction Facility which reduces the occasional turbidity (cloudiness) in the District's source water. While turbidity itself is not a health concern, SWRCB is concerned that at elevated levels, turbidity could potentially interfere with the disinfection process.</p>	
<b>Drinking Water Source Assessment information:</b>	
<p>The District treats its water and performs annual monitoring and testing, in accordance with SWRCB regulations and requirements, to ensure its water is safe to drink. In 2016, the District conducted approximately 350 water quality tests for over 50 contaminants. The results from the 2016 monitoring and testing program indicate that our water quality is very high, as has consistently been the case in past years.</p> <p>The tables below list the drinking water contaminants detected during 2016. A detected contaminant is any contaminant detected at or above its Detection Limit for Purposes of Reporting (DLR) (limit is established by SWRCB) or for unregulated contaminants, the Minimum Reporting Level (MRL). The tables show the level of detected contaminants. Contaminants that are not detected, or are detected below the DLR or MRL, are not required to be reported. The tables also show the maximum contaminant levels (MCL) and public health goals (PHG). Definitions for terms used in this report are listed on the next page.</p>	
<b>It is important to note that the presence of contaminants does not necessarily indicate that the water poses a health risk.</b>	



**Drinking Water Source Assessment information continued:**

**Contaminants that may be present in source water include:**

- *Microbial contaminants*, such as viruses and bacteria, may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.
- *Inorganic contaminants*, such as salts and metals, can be naturally-occurring or result from urban stormwater runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming.
- *Pesticides and herbicides*, may come from a variety of sources such as agriculture, urban stormwater runoff, and residential uses.
- *Organic chemical contaminants*, including synthetic and volatile organic chemicals, by-products of industrial processes and petroleum production, and can also come from gas stations, urban stormwater runoff, agricultural application, and septic systems.
- *Radioactive contaminants*, can be naturally-occurring or be the result of oil and gas production and mining activities.

The District also tests for microbiological contaminants. Coliform bacteria are naturally present in the environment and are used as an indicator that other bacteria may be present. Coliform is part of the water quality-testing program to help signal if there may be a problem with the treatment or distribution system which warrants further investigation. During 2016, there were no positive test results for microbiological contaminants, as shown in Table 1.

The SWRCB allows the District to monitor for certain contaminants less than once per year because the occurrence, and/or concentrations, of these contaminants are not expected to vary significantly from year to year. Therefore, results from prior years are included if such a contaminant was detected when we last tested for it. The "Sample Date" column shows the most recent test dates for these contaminants.

**It is important to note that the presence of contaminants does not necessarily indicate that the water poses a health risk.**

**TERMS USED IN THIS REPORT**

**Detection Limit for Purposes of Reporting (DLR):** The DLR is a parameter that is set by state regulation for each reportable contaminant. The presence of these contaminants in the drinking water at its DLR does not necessarily indicate that the water poses a health risk and can be below its MCL.

**Maximum Contaminant Level (MCL):** The highest level of a contaminant that is allowed in drinking water. Primary MCLs are set as close to the PHGs (or MCLGs) as is economically and technologically feasible. Secondary MCLs are set to protect the odor, taste, and appearance of drinking water.

**Maximum Contaminant Level Goal (MCLG):** The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs are set by the U.S. Environmental Protection Agency (USEPA).

**Public Health Goal (PHG):** The level of a contaminant in drinking water below which there is no known or expected risk to health. PHGs are set by the California Office of Environmental Health Hazard Assessment.

**Maximum Residual Disinfectant Level (MRDL):** The highest level of a disinfectant allowed in drinking water. There is convincing evidence that addition of a disinfectant is necessary for control of microbial contaminants.

**Maximum Residual Disinfectant Level Goal (MRDLG):** The level of a drinking water disinfectant below which there is no known or expected risk to health. MRDLGs do not reflect the benefits of the use of disinfectants to control microbial contaminants.

**Minimum Reporting Level (MRL):** The MRL is defined by the USGS National Water Quality Laboratory as the smallest measured concentration of a substance that can be reliably measured by using a given analytical method.

**Notification Level:** Notification levels are health-based advisory levels established by SWRCB for chemicals in drinking water that lack MCLs. When chemicals are found at concentrations greater than their notification levels, certain requirements and recommendations apply.

**Primary Drinking Water Standards (PDWS):** MCLs and MRDLs for contaminants that affect health along with their monitoring and reporting requirements, and water treatment requirements.

**Secondary Drinking Water Standards (SDWS):** MCLs for contaminants that affect taste, odor, or appearance of the drinking water. Contaminants with SDWSs do not affect health at the MCL levels and are directed toward the aesthetics of drinking water.

**Treatment Technique (TT):** A required process intended to reduce the level of a contaminant in drinking water.

**Regulatory Action Level (AL):** The concentration of a contaminant which, if exceeded, triggers treatment or other requirements that a water system must follow.

**Variations and Exemptions:** SWRCB permission to exceed an MCL or not comply with a treatment technique under certain conditions.

**mg/L as CaCO<sub>3</sub>:** milligrams per liter of calcium carbonate (a measure of hardness)

**microsiemens/cm:** a measure of specific conductance (µS/cm)

**NTU:** Nephelometric Turbidity Units: a measure of clarity.

**n/a:** not applicable

**ND:** not detectable at the reporting limit

**ppm:** parts per million or milligrams per liter (mg/L)

**ppb:** parts per billion or micrograms per liter (µg/L)

**ppt:** parts per trillion or nanograms per liter (ng/L)

**ppq:** parts per quadrillion or picogram per liter (pg/L)

**pCi/L:** picocuries per liter (a measure of radiation)

**Regulatory System to Protect Public Health**

In order to ensure that tap water is safe to drink, the USEPA and the SWRCB prescribe regulations that limit the amount of certain contaminants in water provided by public water systems. The U.S. Food and Drug Administration regulations and California law also establish limits for contaminants in bottled water that provide the same protection for public health. Additional information on bottled water is available on the California Department of Public Health website (<http://www.cdph.ca.gov/programs/Pages/fdbBVW.aspx>).

The federal and state government (USEPA and SWRCB, respectively) are responsible for establishing a comprehensive regulatory program to protect public health. USEPA establishes *primary* drinking water standards for microbiological, chemical and radioactive contaminants that may be found in drinking water and may pose adverse health effects. The *primary* standard, called the Maximum Contaminant Level (MCL), is the maximum allowable concentration of the contaminant in drinking water. States are delegated the primary responsibility for operation and regulatory oversight of the drinking water program. States must establish *primary* drinking water standards that are as stringent as those established by USEPA. SWRCB has adopted the USEPA primary standards, but for some contaminants has established more stringent requirements (i.e. a lower MCL).

To set a Maximum Contaminant Level for a contaminant, it is first determined how much of the contaminant may be present with no adverse health effects. This level is called the Public Health Goal. USEPA and the California Office of Environmental Health Hazard Assessment also establish either Maximum Contaminant Level Goals or Public Health Goals, respectively (MCLGs or PHGs). A PHG or MCLG are a contaminant's concentration in drinking water that does not pose significant risk to health. This is based on a human health risk assessment assuming lifetime consumption, and established risk assessment principles and methods. PHGs are non-enforceable goals. PHGs must be established for contaminants which have MCLs established or proposed for adoption. The legally enforced MCL is then set as close as technically and economically feasible to its PHG.

MCLs take into account not only a contaminant's health risk, but other factors too such as its detectability, treatability and the cost of treatment to remove it. The MCL for a contaminant may be higher than the PHG because of difficulties in measuring small quantities of a contaminant, a lack of available treatment technologies, or if it is determined that the costs of treatment would outweigh the public health benefits of a lower MCL. In the last case, it is permitted to choose an MCL that balances the cost of treatment with the public health benefits.

Tables 1, 2, 3, 4, 5, and 6 list all of the drinking water contaminants that were detected during the most recent sampling for the constituent. The presence of these contaminants in the water does not necessarily indicate that the water poses a health risk. The SWRCB allows us to monitor for certain contaminants less than once per year because the concentrations of these contaminants do not change frequently. Some of the data, though representative of the water quality, are more than one year old.

**TABLE 1 – SAMPLING RESULTS SHOWING THE DETECTION OF COLIFORM BACTERIA**

Microbiological Contaminants (complete if bacteria detected)	Highest No. of Detections	No. of months in violation	Maximum Contaminant Level (MCL)	MCLG	Typical Source of Bacteria
Total Coliform Bacteria	(In a mo.) 0	0	More than 1 sample in a month with a positive detection	0	Naturally present in the environment
Fecal Coliform or <i>E. coli</i>	(In the year) 0	0	A routine sample and a repeat sample detect total coliform and either sample also detects fecal coliform or <i>E. coli</i>	0	Human and animal fecal waste

**TABLE 2 – SAMPLING RESULTS SHOWING THE DETECTION OF LEAD AND COPPER**

Lead and Copper (complete if lead or copper detected in the last sample set)	Sample Date	No. of samples collected	90 <sup>th</sup> percentile level detected	No. sites exceeding AL	AL	PHG	Typical Source of Contaminant
Lead (µg/L)	2014	5	2.0	0	15	0.2	Internal corrosion of household water plumbing systems; discharges from industrial manufacturers, erosion of natural deposits
Copper (mg/L)	2014	5	0.925	0	1.3	0.3	Internal corrosion of household plumbing; erosion of natural deposits; leaching from wood preservatives

TABLE 3 – SAMPLING RESULTS FOR SODIUM AND HARDNESS

Chemical or Constituent (and reporting units)	Sample Date	Level Detected	Range of Detections	MCL	PHG (MCLG)	Typical Source of Contaminant
Sodium (mg/L)	2016	3.7		none	none	Salt present in the water and is generally naturally occurring
Hardness (mg/L as CaCO <sub>3</sub> )	2016	87		none	none	Sum of polyvalent cations present in the water, generally magnesium and calcium, and are usually naturally occurring

\*Any violation of an MCL or AL is asterisked. Additional information regarding the violation is provided later in this report.

TABLE 4 – DETECTION OF CONTAMINANTS WITH A PRIMARY DRINKING WATER STANDARD

Chemical or Constituent (and reporting units)	Sample Date	Level Detected	Range of Detections	MCL [MRDL]	PHG (MCLG) [MRDLG]	Typical Source of Contaminant
TTHMs (µg/L) – (Total Trihalomethanes)	2016	7.7		80	n/a	By-product of drinking water chlorination
HAA5 (µg/L) (Haloacetic Acids)	2016	1.1		60	n/a	By-product of drinking water chlorination
Chlorine (mg/L)	2016	Average = 0.72		4	4	Drinking water disinfectant added for treatment.
Aluminum (mg/L)	2015	0.011		1	0.6	Discharges from industrial manufacturers, erosion of natural deposits

TABLE 5 – DETECTION OF CONTAMINANTS WITH A SECONDARY DRINKING WATER STANDARD

Chemical or Constituent (and reporting units)	Sample Date	Level Detected	Range of Detections	MCL	PHG (MCLG)	Typical Source of Contaminant
Chloride (mg/L)	2016	3.9		500	n/a	Runoff/leaching from natural deposits, or seawater influence
Sulfate (mg/L)	2016	10.0		500	n/a	Runoff/leaching from natural deposits; industrial wastes
Specific Conductance (µS/cm)	2015	160		1,600	n/a	Substances that form ions when in water
Total Dissolved Solids (mg/L)	2016	90		1,000	n/a	Runoff/leaching from natural deposits
Turbidity (NTU)	2016	Average = 0.07	0.03 – 0.25	5	n/a	Turbidity has no health effects. However, high levels of turbidity can interfere with disinfection and provide a medium for microbial growth. Turbidity may indicate the presence of disease-causing organisms. These organisms include bacteria, viruses, and parasites that can cause symptoms such as nausea, cramps, diarrhea and associated headaches.

**Unregulated Contaminant Monitoring Rule (UCMR)3 – 2013 Testing Results**

As part of the federal drinking water program, USEPA issues a list of currently unregulated contaminants to be tested by Public Water Systems throughout the nation. This process occurs every five years pursuant to the Unregulated Contaminant Monitoring Rule (UCMR). The purpose of the UCMR program is to determine the prevalence of unregulated contaminants in drinking water. Results of this testing help USEPA determine whether or not to regulate new contaminants for protection of public health.

There have been three cycles of monitoring: UCMR 1 (2001-2003), UCMR 2 (2008-2010), and UCMR 3 (2013-2015). The District participated in UCMR1 and UCMR2 in which 37 constituents were tested; all results were non-detect. The District also participated in the UCMR 3 testing in 2013. The District tested 28 constituents on USEPA’s List 1 (Assessment Monitoring) and List 2 (Screening Survey). Of the 28 constituents tested, 24 were non-detect and four had results. The table below shows the four constituents with results above their minimum reporting levels (MRL). Although unregulated by USEPA, two of the four have MCLs established or proposed by SWRCB. Information on the likely source and potential health effects are also included.

**TABLE 6 – DETECTION OF UNREGULATED CONTAMINANTS**

Chemical or Constituent (and reporting units)	Sample Date	Range of Detections	Notification Level	MCL	PHG	Health Effects Language
Chromium 6+ (µg/L)	2013	0.18 - 0.23	n/a	10 <sup>1</sup>	0.02	Naturally occurring from geological formations, also from manufacturing of textile dyes, wood preservation, leather tanning, and anti-corrosion coatings.
Chromium, Total (µg/L)	2013	0.20 – 0.39	n/a	50	n/a	Discharge from steel and pulp mills and chrome plating; erosion of natural deposits. Some people who use water containing chromium in excess of the MCL over many years may experience allergic dermatitis.
Strontium, Total (µg/L)	2013	240 – 310	n/a	n/a	n/a	Strontium is a silvery metal that rapidly turns yellowish in air. Strontium is found naturally as a non-radioactive element. Strontium has 16 known isotopes. Naturally occurring strontium is found as four stable isotopes Sr-84, -86, -87, and -88. Twelve other isotopes are radioactive.
Vanadium, Total (µg/L)	2013	0.38 – 0.65	50	n/a	n/a	Naturally-occurring; the primary possible contaminating activity is steel manufacturing and in association with hazardous waste sites. The babies of some pregnant women who drink water containing vanadium in excess of the notification level may have an increased risk of developmental effects, based on studies in laboratory animals.

<sup>1</sup>The MCL for Chromium 6+ became effective on July 1, 2014.

### Additional General Information on Drinking Water

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that the water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the USEPA's Safe Drinking Water Hotline (1-800-426-4791) or visiting their website (<http://water.epa.gov/drink/index.cfm>).

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections. These people should seek advice about drinking water from their health care providers. USEPA/Centers for Disease Control (CDC) guidelines on appropriate means to lessen the risk of infection by *Cryptosporidium* and other microbial contaminants are available from the Safe Drinking Water Hotline (1-800-426-4791) and website (<http://water.epa.gov/drink/index.cfm>).

**Lead-Specific Language for Community Water Systems:** If present, elevated levels of lead can cause serious health problems, especially for pregnant women and young children. Lead in drinking water is primarily from materials and components associated with service lines and home plumbing. The District is responsible for providing high quality drinking water, but cannot control the variety of materials used in plumbing components. When your water has been sitting for several hours, you can minimize the potential for lead exposure by flushing your tap for 30 seconds to 2 minutes (or until the water becomes noticeably cooler to the touch) before using water for drinking or cooking. If you are concerned about lead in your water, you may wish to have your water tested. Information on lead in drinking water, testing methods, and steps you can take to minimize exposure is available from the Safe Drinking Water Hotline or at <http://www.epa.gov/lead>.

# **MANAGEMENT**



**California Special  
Districts Association**  
*Districts Stronger Together*

**H.B.M.W.D. FEB 21 2018**

**DATE:** February 16, 2018  
**TO:** CSDA Voting Member Presidents and General Managers  
**FROM:** CSDA Elections and Bylaws Committee  
**SUBJECT:** **CSDA BOARD OF DIRECTORS CALL FOR NOMINATIONS  
SEAT A**

---

The Elections and Bylaws Committee is looking for Independent Special District Board Members or their General Managers who are interested in leading the direction of the California Special Districts Association for the 2019 - 2021 term.

The leadership of CSDA is elected from its six geographical networks. Each of the six networks has three seats on the Board with staggered 3-year terms. Candidates must be affiliated with an independent special district that is a CSDA Regular member in good standing and located within the geographic network that they seek to represent. (See attached CSDA Network Map)

The CSDA Board of Directors is the governing body responsible for all policy decisions related to CSDA's member services, legislative advocacy, education and resources. The Board of Directors is crucial to the operation of the Association and to the representation of the common interests of all California's special districts before the Legislature and the State Administration. Serving on the Board requires one's interest in the issues confronting special districts statewide.

**Commitment and Expectations:**

- Attend all Board meetings, usually 4-5 meetings annually, at the CSDA office in Sacramento.
- Participate on at least one committee, meets 3-5 times a year at the CSDA office in Sacramento.  
*(CSDA reimburses Directors for their related expenses for Board and committee meetings as outlined in Board policy).*
- Attend, at minimum, the following CSDA annual events: Special Districts Legislative Days - held in the spring, and the CSDA Annual Conference - held in the fall.
- Complete all four modules of CSDA's Special District Leadership Academy within 2 years of being elected.  
*(CSDA does not reimburse for expenses for the two conferences or the Academy classes even if a Board or committee meeting is held in conjunction with the events).*

(over)

**Nomination Procedures:** Any Regular Member in good standing is eligible to nominate one person, a board member or managerial employee (as defined by that district's Board of Directors), for election to the CSDA Board of Directors.

- **A copy of the member district's resolution or minute action and Candidate Information Sheet must accompany the nomination.**
- **Deadline for receiving nominations is April 18, 2018. Nominations and supporting documentation may be mailed or emailed to Beth Hummel.**  
*No faxes please.*

Mail: CSDA Attention: Beth Hummel  
1112 I Street, Suite 200, Sacramento, CA 95814  
E-mail: [bethh@csda.net](mailto:bethh@csda.net)

Once received, nominees will receive a candidate's letter in the mail. The letter will serve as confirmation that CSDA has received the nomination and will also include campaign guidelines.

#### **Expiring Terms**

(See enclosed map for Network breakdown)

**Northern Network** Seat A-Ralph Emerson, GM, Garberville Sanitary District\*  
**Sierra Network** Seat A-Noelle Mattock, Director, El Dorado Hills CSD\*  
**Bay Area Network** Seat A-Robert Silano, Director, Menlo Park Fire Protection District\*  
**Central Network** Seat A-Joel Bauer, GM, West Side Cemetery District\*  
**Coastal Network** Seat A-Elaine Magner, Director, Pleasant Valley Recreation & Park District\*  
**Southern Network** Seat A-Jo MacKenzie, Director, Vista Irrigation District\*  
 (\* = Incumbent is running for re-election)

If you have any questions, please contact Beth Hummel at 877-924-CSDA or [bethh@csda.net](mailto:bethh@csda.net).

#### **NEW THIS YEAR!**

**This year we will be using a web-based online voting system, allowing your district to cast your vote easily and securely.** *Electronic Ballots will be emailed to the main contact in your district June 18, 2018. All votes must be received through the system no later than 5:00 p.m. August 10, 2018.*

*Districts can opt to cast a paper ballot instead; but you must contact Beth by e-mail [Bethh@csda.net](mailto:Bethh@csda.net) by April 18, 2018 in order to ensure that you will receive a paper ballot on time.*

CSDA will mail paper ballots on June 17 per district request only. ALL ballots must be received by CSDA no later than 5:00 p.m. August 10, 2018.

The successful candidates will be notified no later than August 14, 2018. All selected Board Members will be introduced at the Annual Conference in Indian Wells, CA in September 2018.





**California Special  
Districts Association**  
*Districts Stronger Together*

SECTION 41 PAGE NO. 3

**2018 BOARD OF DIRECTORS NOMINATION FORM**

**Name of Candidate:** \_\_\_\_\_

**District:** \_\_\_\_\_

**Mailing Address:** \_\_\_\_\_

**Network:** \_\_\_\_\_ (see map on back)

**Telephone:** \_\_\_\_\_  
(PLEASE BE SURE THE PHONE NUMBER IS ONE WHERE WE CAN REACH THE CANDIDATE)

**Fax:** \_\_\_\_\_

**E-mail:** \_\_\_\_\_

**Nominated by (optional):** \_\_\_\_\_

**Return this form and a Board resolution/minute action supporting the candidate and Candidate Information Sheet by mail, or email to:**

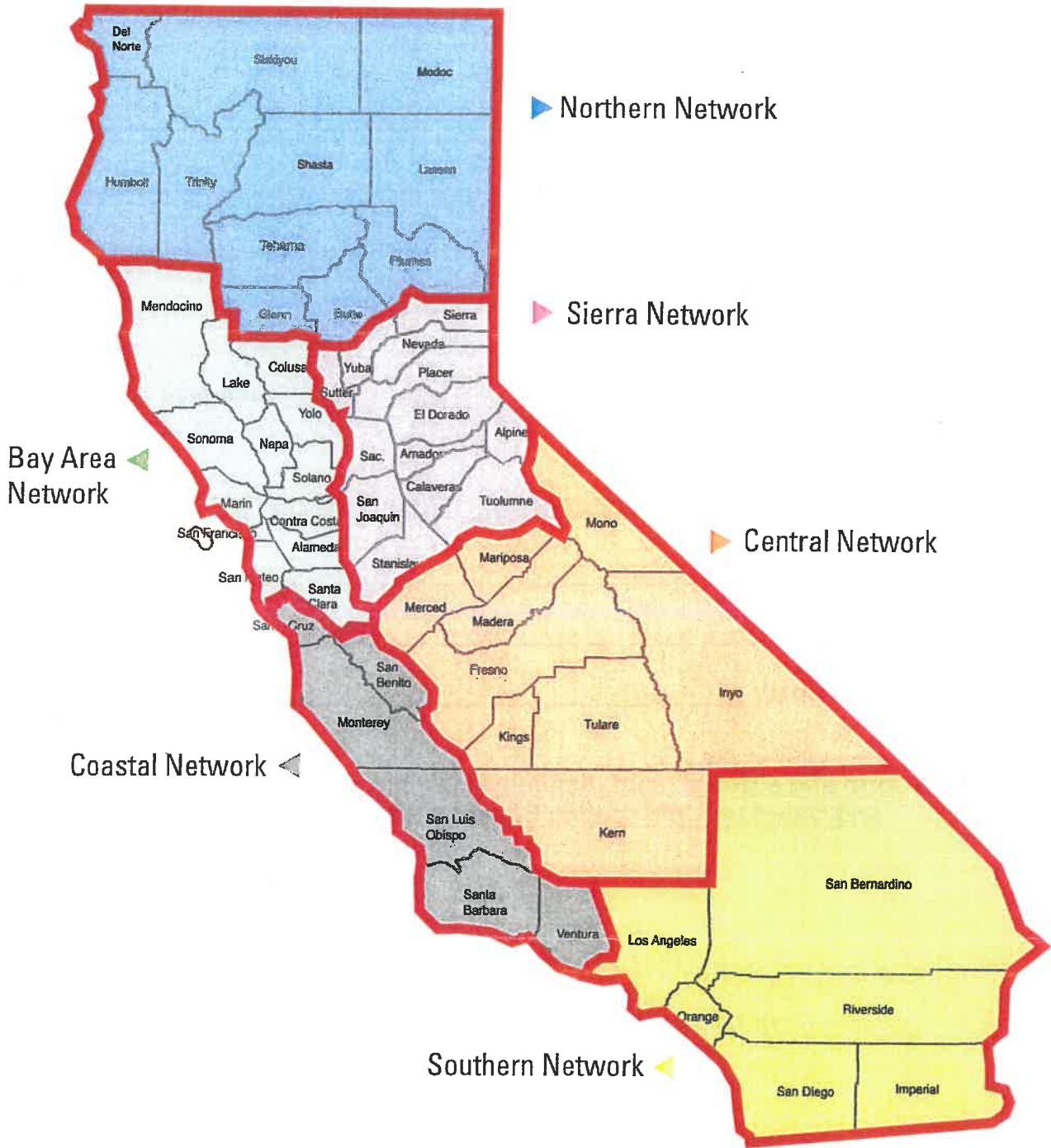
CSDA  
Attn: Beth Hummel  
1112 I Street, Suite 200  
Sacramento, CA 95814  
(877) 924-2732 (916) 442-7889 fax

bethh@csla.net

***DEADLINE FOR RECEIVING NOMINATIONS – April 18, 2018***



California Special Districts Association  
**DISTRICT NETWORKS**





**2018 CSDA BOARD CANDIDATE INFORMATION SHEET**

The following information **MUST** accompany your nomination form and Resolution/minute order:

Name: \_\_\_\_\_

District/Company: \_\_\_\_\_

Title: \_\_\_\_\_

Elected/Appointed/Staff: \_\_\_\_\_

Length of Service with District: \_\_\_\_\_

1. Do you have current involvement with CSDA (such as committees, events, workshops, conferences, Governance Academy, etc.):

\_\_\_\_\_  
\_\_\_\_\_

2. Have you ever been associated with any other state-wide associations (CSAC, ACWA, League, etc.):

\_\_\_\_\_  
\_\_\_\_\_

3. List local government involvement (such as LAFCo, Association of Governments, etc.):

\_\_\_\_\_  
\_\_\_\_\_

4. List civic organization involvement:

\_\_\_\_\_  
\_\_\_\_\_

**\*\*Candidate Statement** – Although it is not required, each candidate is requested to submit a candidate statement of no more than 300 words in length. **Any statements received in the CSDA office after May 31, 2018 will not be included with the ballot.**



## NOTICE UNDER THE AMERICANS WITH DISABILITIES ACT

In accordance with the requirements of the Title II of the Americans with Disabilities Act of 1990 ("ADA"), *Humboldt Bay Municipal Water District* will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs or activities.

**Employment:** *Humboldt Bay Municipal Water District* does not discriminate on the basis of disability in its hiring or employment practices and complies with all regulations promulgated by the U. S. Equal Employment Opportunity Commission under Title I of the ADA.

**Effective Communication:** *Humboldt Bay Municipal Water District* will generally, upon request, provide appropriate aids and services leading to effective communication for qualified persons with disabilities so they can participate equally in the Humboldt Bay Municipal Water District's programs, services and activities, including qualified sign language interpreters, documents in Braille, and other ways of making information and communications accessible to people who have speech, hearing, or vision impairments.

**Modifications to Policies and Procedures:** *Humboldt Bay Municipal Water District* will make all reasonable modifications to policies and programs to ensure that people with disabilities have an equal opportunity to enjoy all of its programs, services, and activities. For example, individuals with service animals are welcomed in *Humboldt Bay Municipal Water District's* offices, even where pets are generally prohibited.

Anyone who requires an auxiliary aid or service for effective communication, or a modification of policies or procedures to participate in a program, service, or activity of *Humboldt Bay Municipal Water District*, should contact our office at (707) 443-5018 or via email at: [office@hbmwd.com](mailto:office@hbmwd.com) as soon as possible but no later than 48 hours before the scheduled event.

The ADA does not require *Humboldt Bay Municipal Water District* to take any action that would fundamentally alter the nature of its programs or services, or impose an undue financial or administrative burden.

Complaints that a program, service, or activity of *Humboldt Bay Municipal Water District* is not accessible to persons with disabilities should be directed to the Business Manager or General Manager.

*Humboldt Bay Municipal Water District* will not place a surcharge on a particular individual with a disability or any group of individuals with disabilities to cover the cost of providing auxiliary aids/services or reasonable modifications of policy, such as retrieving items from locations that are open to the public but are not accessible to persons who use wheelchairs.



This Grievance Procedure is established to meet the requirements of the Americans with Disabilities Act of 1990 ("ADA"). It may be used by anyone who wishes to file a complaint alleging discrimination on the basis of disability in provision of services, activities, programs, or benefits by the Humboldt Bay Municipal Water District. The Humboldt Bay Municipal Water District's Personnel Policy governs employment-related complaints of disability discrimination.

The complaint should be in writing and contain information about the alleged discrimination such as name, address, phone number of complainant and location, date, and description of the problem. Alternative means of filing complaints, such as personal interviews or a tape recording of the complaint, will be made available for persons with disabilities upon request.

The complaint should be submitted by the grievant and/or his/her designee as soon as possible but no later than 60 calendar days after the alleged violation to:

John Friedenbach  
ADA Coordinator and General Manager  
PO Box 95  
Eureka, CA 95502-0095

Within 15 calendar days after receipt of the complaint, the General Manager or his/her designee will meet with the complainant to discuss the complaint and the possible resolutions. Within 15 calendar days of the meeting, the General Manager or his/her designee will respond in writing, and where appropriate, in a format accessible to the complainant, such as large print, Braille, or audio tape. The response will explain the position of the Humboldt Bay Municipal Water District and offer options for substantive resolution to the complaint.

If the response by the General Manager or his/her designee does not satisfactorily resolve the issue, the complainant and/or his/her designee may appeal the decision within 15 calendar days after receipt of the response to the President of the Humboldt Bay Municipal Water District Board of Directors or his/her designee.

Within 15 calendar days after receipt of the appeal, the President of the Humboldt Bay Municipal Water District Board of Directors or his/her designee will meet with the complainant to discuss the complaint and possible resolutions. Within 15 calendar days after the meeting, the President of the Humboldt Bay Municipal Water District Board of Directors or his/her designee will respond in writing, and where appropriate, in a format accessible to the complainant, with a final resolution of the complaint.

All written complaints received by the General Manager or his/her designee, appeals to the President of the Humboldt Bay Municipal Water District Board of Directors or his/her designee, and responses from these two offices will be retained by the Humboldt Bay Municipal Water District for at least three years.

**ACWA**



YOUR BEST PROTECTION

## STRATEGIC PLANNING MEETING

### AGENDA

**Westin Mission Hills Golf Resort and Spa**

71333 Dinah Shore Drive  
Rancho Mirage, CA 92270  
(760) 328-5955

**Thursday, February 15, 2018 to Saturday, February 17, 2018**

**PUBLIC COMMENT** Members of the public will be allowed to address the Strategic Planning Meeting Members on any agenda item. They will also be allowed to comment on any issues that they wish which may or may not be on the agenda. If anyone present wishes to be heard, please let the President know.

<b>February 15, 2018</b>		<b>Page #</b>
2:00 p.m. – 5:00 p.m.	Session I - Introductory Session; Core Values Discussion	<b>1</b>
<b>February 16, 2018</b>		
8:30 a.m. – 11:30 a.m.	Session II - Pricing	<b>8</b>
1:00 p.m. - 4:00 p.m.	Session III – Additional Services	<b>22</b>
<b>February 17, 2018</b>		
8:30 a.m. – 11:30 a.m.	Session IV – Wrap-Up Discussions; Finalize Core Values	<b>25</b>

### **ADJOURN**

***Americans With Disabilities Act*** – The ACWA JPIA conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the Federal Rules and Regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the ACWA JPIA, shall be made to: Patricia Slaven, Director of Administration, ACWA JPIA, P.O. Box 619082, Roseville, CA 95661-9082; telephone (916) 786-5742. ACWA JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m. (Government Code Section 54954.2, subdivision. (a)(1).)

Written materials relating to an item on this Agenda that are distributed to the ACWA JPIA within 72 hours before it is to consider the item at its regularly scheduled meeting will be made available for public inspection at ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661-3700; telephone (916) 786-5742. ACWA JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m.

# What are Core Values?

The core values of an organization are those values we hold which form the foundation on which we perform work and conduct ourselves. We have an entire universe of values, but some of them are so primary, so important to us that throughout the changes in society, government, politics, and technology they are STILL the core values we will abide by. In an ever-changing world, core values are constant. Core values are not descriptions of the work we do or the strategies we employ to accomplish our mission. The values underlie our work, how they interact with each other, and which strategies we employ to fulfill our mission. The core values are the basic elements of how we go about our work. They are the practices we use (or should be using) every day in everything we do.

## CORE VALUES:

- Govern personal relationships
- Guide business processes
- Clarify who we are
- Articulate what we stand for
- Help explain why we do business the way we do
- Guide us on how to teach
- Inform us on how to reward
- Guide us in making decisions
- Underpin the whole organization
- Require no external justification
- Essential tenets

## CORE VALUES ARE NOT:

- Operating practices
- Business strategies
- Cultural norms
- Competencies
- Changed in response to market/administration changes
- Used individually



## **Core Values are What You Believe**

By Susan Hathfield, September 27, 2017

Core values are traits or qualities that you consider not just worthwhile, they represent an individual's or an organization's highest priorities, deeply held beliefs, and core, fundamental driving forces. They are the heart of what your organization and its employees stand for in the world.

Core values define what your organization believes and how you want your organization resonating with and appealing to employees and the external world.

The core values should be so integrated with your employees and their belief systems and actions that clients, customers, and vendors see the values in action.

For example, the heart and core value of successful small to mid-sized companies is evident in how they serve customers. When customers tell the company that they feel cherished by the business, you know that your employees are living your core value of extraordinary customer care and service.

Core values are also known as guiding principles because they form a solid core of who you are, what you believe, and who you are and want to be going forward.

## **Core Values Form the Foundation of Your Organization**

Values form the foundation for everything that happens in your workplace. The core values of the employees in your workplace, along with their experiences, upbringing, and so on, meld together to form your corporate culture.

The core values of the founder of an organization permeate the workplace.

His or her core values are powerful shapers of the organization's culture.

The core values of your senior leaders are also important in the development of your culture. The reason? These executive leaders have a great deal of power in your organization to set the direction and define daily actions. The executive leaders and the managers who report to them set the tone in establishing the quality of the work environment for people.

This work environment reflects the core values of all employees, but the core values of executive leaders who walk their talk, are overreaching. Additionally, your leaders and managers have selected employees who they believe to have congruent core values and fit your workplace culture.

## **How to Identify Your Core Values**

Your goal, when you identify the core values of your organization, is to identify the key core values, not a laundry list of cookie-cutter values that you copied from another organization's list of core values. An organization's employees would have a hard time living any more than 10-12 core values (at a maximum). Four-six is better and easier to hold front and center in everything you do.

Core values are made accessible by translating them into value statements. Value statements are grounded in values and define how people want to behave with each other in the organization. They are statements about how the organization will value customers, suppliers, and the internal community.

Value statements describe actions that are the living enactment of the fundamental core values held by most individuals within the organization. For example, a nursing group of employees identified caring service as one of their core values.

When they wrote their value statements, one was, "We will respond to all customer calls within one minute." Another values statement was, "No patient shall ever run out of medication from the drip line."

Values play a defining role in employee motivation and morale. An organization that has identified and examined the values, by which employees want to live, is a workplace with motivation potential. Values such as integrity, empowerment, perseverance, equality, self-discipline, and accountability, when truly integrated within the culture of the organization, are powerful motivators.

They become the compass that the organization uses to select staff members, reward and recognize employee performance, and guide interpersonal interaction among staff members.

## **Examples of the Impact of Values**

If you work in an organization that values empowerment, for example, you are unafraid to take thoughtful risks.

You are likely to identify and solve problems. You are comfortable making decisions without a supervisor looking over your shoulder.

Employees who thrive in this empowered environment will do well. If you like waiting for someone to tell you what to do, you will fail if empowerment is the expectation and value of your organization.

In a second example, if you work in an organization that values transparency, you can expect to know what is happening across the company. You will know and understand the goals, direction, decisions, financial statements, successes, and failures.

Employees who don't want all of this information; may not fit the organization's culture or meet the expectation that, if they have the information, they will use it.

In a third example, if integrity is valued in your organization, employees who believe in being honest, open, and truthful will thrive while others who want to play politics, hide mistakes, and lie, will not thrive.

In fact, they may find that they don't fit in with the culture of the organization. They may find themselves unemployed because of the lack of compatibility with an important organization value.

In a fourth example, if your organization values a high level of teamwork, they will ask employees to work in teams, develop products by teams, and think of departments as teams. Additionally, because the organization values relationships and a cohesive approach to working together with employees, it will sponsor employee activities and events for employees and for employees and their families.

This approach fosters even closer relationships among employees. However, if you're a loner kind of person who wants to work alone in your cubicle, you are not likely a good fit for this work environment.

Finally, a work culture that values responsibility and accountability must hire employees who are willing to be responsible for their output and outcomes. It doesn't need people who make excuses, finger point and fail to hold each other accountable. It needs people who are willing to call coworkers out for such problems as missing deadlines, coming unprepared to meetings, or spreading misery and negativity.

A person who is unwilling to demonstrate responsibility will demotivate the employees who do. This leads to a vicious cycle. Nothing hurts employee motivation more than the perception that some employees are not doing their jobs and that management is not addressing the problem.

So, to keep employee motivation intact and increasing, employers must deal with problem employees up to and through employment termination. And, the employer will need to take disciplinary action quickly to prevent the non-performance to impact the morale of the organization's good employees.

## **Downside to Identifying Values**

The downside to identifying values occurs when an organization's leaders claim certain values and then behave in ways that are contradictory to their stated values. In these workplaces, values deflate motivation because employees don't trust their leaders' word.

Remember that employees are like radar machines watching everything you do, listening to everything you say, and watching your interaction with customers and their coworkers. They see your values in action every day at work—or not.

Employees want to work in a workplace that shares their values. They want their overall work culture to promote being a part of a whole bigger than themselves. They experience motivation and engagement when their workplace exhibits their most important values. Never underestimate the power of values in creating a motivating work environment—or not.

From: the Balance website - <https://www.thebalance.com/core-values-are-what-you-believe-1918079>



# Services & Resources

Use the list below to insure your district is utilizing all of the benefits available through the JPIA.

## Risk Management Services

- On site visits for loss/risk assessments, accident investigation, and staff training
- Assistance developing, implementing, and maintaining safety policies and programs
- Office and field ergonomic evaluations
- Risk transfer training & consultations

## Training Resources

- On-site, local, and regional classes; annual training conferences
- Online training resources, including live and recorded water-industry specific webinars
- Training library with over 600 DVDs for check out
- Professional Development Program Certifications in Human Resources, Operations, and Supervisor Basics

## Human Resources Services

- Employment Practices Hotline, including free legal consultations
- Online resources, including job descriptions, forms, sample policies and much more
- Regional HR group meetings and networking forums
- One-on-one consultations, including handbook reviews
- Occu-Med, Inc. pre-employment physicals and fit-for-duty services

## Employee Benefit Services

- Direct member advocacy for employees when they have questions or claim issues
- Assistance in compliance with legal requirements
- Electronic benefits enrollment system, which allows employee self-enrollment, district oversight, and robust reporting

Some benefits are program specific.

800.231.5742 — [www.acwajpia.com](http://www.acwajpia.com)

### Possible Additional Services

- Recruiting/job placement
- Nurse triage service
- Return to work service
- Anonymous employment wrongdoing hotline (safety, harassment, fraud, violation of public policy, & security)
- Employment practices training consortium
- Safety & loss control grant program (range \$1.5K-\$50K)
- Group purchasing
- Risk subsidy (\$1k per year)
- Streaming video
- Certificate of Insurance management tool
- Salary surveys
- Hiring assistance (panels, questions, etc.)
- Interim GM services
- Provide JPIA training to public
- Premium reduction incentive program
- Member loan program
- Lease purchase assistance
- Human resources management
- Employee handbook creation

**From:** Timothy Quinn <Tim.Quinn@acwa.com>  
**Sent:** Tuesday, February 20, 2018 2:56 PM  
**To:** Cindy Tuck; Heather Engel; Paula Currie  
**Cc:** Lili Vogelsang; Michaela Martinez; Donna Pangborn  
**Subject:** ACWA Seeking Contributions for "No Drinking Water Tax Campaign"  
**Attachments:** No Drinking water tax pledge form.pdf  
  
**Importance:** High

Dear No Drinking Water Tax Coalition Member,

Hopefully you saw ACWA's Outreach Alert distributed last week urging member agencies to join ACWA's coalition against SB 623 (Monning) and the budget trailer bill related to a tax on drinking water and take specific steps to advocate against the proposed tax.

As you know, fighting the tax on drinking water is one of the most important efforts undertaken by ACWA and member agencies in recent years. ACWA staff has done a commendable job to date. However, considering the potential negative consequences of this proposed tax and the dangerous precedent that it could set, I strongly believe that we need to do much more.

Therefore, ACWA is launching a fund-raising effort this week to secure an outside public affairs firm to help develop a more strategic external affairs campaign and assist with coalition building outside the water industry. We also intend to fund an advertising campaign focused on key legislative districts. We hope to secure enough funding to potentially sustain a campaign through the summer.

**I urge you to submit a voluntary contribution to fund this effort. Based on the size of your agency, we recommend a contribution of at least \$5,000.00.** Please use the attached contribution form to let us know whether you will be making a contribution.

If you have any questions or concerns, please don't hesitate to contact me directly at [timq@acwa.com](mailto:timq@acwa.com) or ACWA's Director of Communications Heather Engel, [heathere@acwa.com](mailto:heathere@acwa.com). We will be happy to schedule an in-person meeting with your agency to discuss strategy or funding.

Best regards,

**Tim Quinn**

Executive Director  
Association of California Water Agencies  
916.441.4545 | [timq@acwa.com](mailto:timq@acwa.com) | [www.acwa.com](http://www.acwa.com)

**RREDC/RCEA**





# Redwood Coast Energy Authority

SECTION L4, PAGE NO. 1

633 3<sup>rd</sup> Street, Eureka, CA 95501

Phone: (707) 269-1700 Toll-Free (800) 931-RCEA Fax: (707) 269-1777

E-mail: [info@redwoodenergy.org](mailto:info@redwoodenergy.org) Web: [www.redwoodenergy.org](http://www.redwoodenergy.org)

## REGULAR MEETING AGENDA

**Humboldt Bay Municipal Water District Office**  
**828 7<sup>th</sup> Street, Eureka, CA 95501**

**February 26, 2018**  
**Monday, 3:15 p.m.**

RCEA will accommodate those with special needs. Arrangements for people with disabilities who attend RCEA meetings can be made in advance by contacting Lori Taketa or front office staff at RCEA, 633 3<sup>rd</sup> Street, Eureka, or by calling 269-1700, or by e-mail at [Ltaketa@redwoodenergy.org](mailto:Ltaketa@redwoodenergy.org), by noon the day of the meeting.

### **OPEN SESSION** Call to Order

#### **1. REPORTS FROM MEMBER ENTITIES**

#### **2. ORAL COMMUNICATIONS**

This time is provided for people to address the Board or submit written communications on matters not on the agenda. At the conclusion of all oral and written communications, the Board may respond to statements. Any request that requires Board action will be set by the Board for a future agenda or referred to staff.

#### **3. CONSENT CALENDAR**

All matters on the Consent Calendar are considered to be routine by the Board and are enacted on one motion. There is no separate discussion of any of these items. If discussion is required, that item is removed from the Consent Calendar and considered separately. At the end of the reading of the Consent Calendar, Board members or members of the public can request that an item be removed for separate discussion.

**3.1 Approve Minutes of January 22, 2018, Regular Board Meeting.**

**3.2 Approve Warrants.**

**3.3 Accept Financial Reports.**

#### **4. REMOVED FROM CONSENT CALENDAR ITEMS**

Items removed from the Consent Calendar will be heard under this section.

#### **5. OLD BUSINESS**

##### **5.1 Community Advisory Committee (CAC) Membership**

**Appoint Craig Mitchell to the Humboldt Bay Municipal Water District seat and reappoint Matty Tittman to the County 2 (Southern Humboldt) seat on the CAC.**

**Establish ad-hoc CAC at-large candidate Board subcommittee to review and recommend applicants to fill the four at-large vacancies.**

## 6. NEW BUSINESS

### 6.1 FY15-16 Fiscal Audit

Accept and approve FY15-16 Independent Fiscal Audit Report.

### 6.2 Mid-Year Budget Review (no action, information only)

## COMMUNITY CHOICE ENERGY (CCE) BUSINESS (Confirm CCE Quorum)

Items under this section of the agenda relate to CCE-specific business matters that fall under RCEA's CCE voting provisions, with only CCE-participating jurisdictions voting on these matters with weighted voting as established in the RCEA joint powers agreement.

## 7. OLD CCE BUSINESS

### 7.1. Energy Risk Management Quarterly Report (no action, information only)

## 8. NEW CCE BUSINESS

### 8.1 2018 CCE Program Rate Setting

Adopt Resolution No. 2018-2 of the Redwood Coast Energy Authority Setting Community Choice Energy Program Rates for 2018.

### 8.2 Public Agency Solar Program

Approve establishment of the Pilot Public Agency Solar Program, with initial funding of \$170,000 for the remainder of calendar year 2018.

### 8.3 CCE-Funded Customer Programs

Discuss and provide direction to staff on a process for designing and budgeting CCE-funded customer programs.

## END OF COMMUNITY CHOICE ENERGY (CCE) BUSINESS

## 9. STAFF REPORTS

### 9.1 Executive Director

- Report on Governor's Office of Planning and Research Eureka workshop.
- Update on Humboldt County Airport Microgrid Project.
- Offshore Wind Update.

### 9.2 Director of Power Resources

- Update on biomass impact report.

**DISCLOSURE OF ITEMS TO BE DISCUSSED IN CLOSED SESSION**

The Redwood Coast Energy Authority Board of Directors will meet in closed session to consider the items listed under agenda item number 11, "Closed Session."

**10. PUBLIC COMMENT REGARDING THE CLOSED SESSION ITEM(S)**

**11. CLOSED SESSION**

With respect to every item of business to be discussed in closed session pursuant to Government Code Section 54957.6:

11.1. Labor Negotiations, unrepresented employee, Executive Director

**12. RECONVENE TO OPEN SESSION**

**13. REPORT FROM CLOSED SESSION**

**14. ADJOURNMENT**

**NEXT REGULAR MEETING**  
Monday, March 19, 2018, 3:15 p.m.  
Humboldt Bay Municipal Water District Office  
828 7<sup>th</sup> Street, Eureka, CA 95501



# Redwood Coast Energy Authority

SECTION 14, PAGE NO. 4

633 3<sup>rd</sup> Street, Eureka, CA 95501

Phone: (707) 269-1700 Toll-Free (800) 931-RCEA Fax: (707) 269-1777

E-mail: [info@redwoodenergy.org](mailto:info@redwoodenergy.org) Web: [www.redwoodenergy.org](http://www.redwoodenergy.org)

## DRAFT MEETING MINUTES

**Humboldt Bay Municipal Water District Office  
828 7<sup>th</sup> Street, Eureka, CA 95501**

**January 22, 2018  
Monday, 3:15 p.m.**

RCEA will accommodate those with special needs. Arrangements for people with disabilities who attend RCEA meetings can be made in advance by contacting Lori Taketa or front office staff at RCEA, 633 3<sup>rd</sup> Street, Eureka, or by calling 269-1700, or by e-mail at [Ltaketa@redwoodenergy.org](mailto:Ltaketa@redwoodenergy.org) by noon the day of the meeting.

### **ROLL CALL**

Board Chair Woo called the meeting to order at 3:15 p.m.

Present: Michael Sweeney, Austin Allison, Bobbie Ricca, Sheri Woo, Michael Winkler, Dwight Miller, Frank Wilson, Dean Glaser. Estelle Fennel arrived at 3:18 p.m.

Absent: None.

### **1. REPORTS FROM MEMBER ENTITIES**

Vice Chair Winkler reported speaking with a University of Delaware researcher who is going to the offshore wind energy conference in Sacramento in March. Winkler and Executive Director Marshall will also attend the conference, which will be a good opportunity to network and extend outreach with people in this field.

### **2. ORAL COMMUNICATIONS**

This time is provided for people to address the Board or submit written communications on matters not on the agenda. At the conclusion of all oral and written communications, the Board may respond to statements. Any request that requires Board action will be set by the Board for a future agenda or referred to staff.

Executive Director Marshall announced that Clerk of the Board Ahn Fielding had to leave RCEA and that Lori Taketa began serving as Clerk of the Board as of Friday.

### **3. CONSENT CALENDAR**

All matters on the Consent Calendar are considered to be routine by the Board and are enacted on one motion. There is no separate discussion of any of these items. If discussion is required, that item is removed from the Consent Calendar and considered separately. At the end of the reading of the Consent Calendar, Board members or members of the public can request that an item be removed for separate discussion.

**3.1 Approve Minutes of December 18, 2017, Regular Board Meeting.**

**3.2 Approve Warrants.**

**3.3 Accept Financial Reports.**

**3.4 Approve 2018 Board Meeting Calendar.**

**3.5 Adopt Resolution No. 2018-1 of the Redwood Coast Energy Authority Approving Membership in the Humboldt Area Chapter of the California Special Districts Association.**

**M/S/C: Ricca, Miller: Approve consent calendar items as presented.**

**4. REMOVED FROM CONSENT CALENDAR ITEMS**

Items removed from the Consent Calendar will be heard under this section.

None.

(Director Fennell arrived at 3:18 p.m.)

**5. OLD BUSINESS**

**5.1 Power Purchase Agreement with DG Fairhaven, LLC**

Approve 12-month Power Purchase Agreement with DG Fairhaven, LLC and authorize the Executive Director to execute the agreement and any other associated documents as necessary.

Director of Power Resources Richard Engel reviewed the staff report recommending approving a power purchase agreement (PPA) with DG Fairhaven, LLC. Since December's board meeting, DG Fairhaven expressed willingness to contract with RCEA to produce biomass electricity at \$65/MWh for one year, renewable in one-year increments. These terms allow RCEA to contribute to its reserve fund, minimize risk, deliver customer savings, and meet all performance criteria such as greenhouse gas emission and renewable content goals.

Discussion on the topic clarified that DG Fairhaven expects to operate at constant output and would commit to sell RCEA all the power generated. The increased biomass-generated electricity would equal 24% of RCEA's renewable energy portfolio.

Director Sweeney asked if staff could quantify the job creation benefits for purchasing biomass as it is a more expensive power source. Director Fennel stated the agreement is important for the community and preserves jobs.

Director Miller supported staff's recommendation and requested a succinct report distilling the years of argument for and against purchasing biomass, including any jobs benefits and atmospheric carbon impacts, citing the board's changed composition.

Director Wilson thanked the RCEA board for their efforts and asked that the cost of hauling local biomass elsewhere to create energy be included in the study. He pointed out that no other California CCA can say they are creating 24% of their green energy locally.

Director Winkler requested the study analyze whether the timber industry is a net creator or absorber of CO<sub>2</sub>, in timber products, wood waste, standing tree biomass, and carbon in the soil. Director Winkler stressed the long-term importance of mitigating particulate emissions by working with people with wood stoves to switch to lower emission, lower particulate heat sources.

Chair Woo suggested RCEA staff investigate whether a an ongoing Humboldt State University biomass study will address some of the board's questions.

Member of the public Mary Sanger of 350 Humboldt asked what the process will be to change the energy procurement guidelines from 15% to 24% biomass energy.

Member of the public Margaret Stofsky asked how the additional atmospheric carbon from biomass energy production compares to the carbon released during recent northern California fires. Stofsky, who suffers from lung disease, expressed concern about biomass burning's effect on herself, others, the local ecosystem and Humboldt Bay. She asked whether the increased biomass energy production has been evaluated in an integrated way for ordinary people to understand the monetary and quality of life costs.

Member of the public Ellen Golla said calling biomass green power is offensive because it is the largest local, stationary air toxin and pollution source producing carbon, VOC, and particulates, which is the pollutant most closely tied to excess disease and death. Golla feels biomass is not green power and cannot compare to wind or solar and the local Air Quality Management District's current woodstove exchange for areas near the Blue Lake and Scotia biomass plants are laughable because newer wood stoves are not that much cleaner than old ones. Golla finds the increase of biomass to almost a quarter of the energy portfolio to be offensive and dishonest because she feels it is not greener and cleaner as RCEA has presented it to be.

A member of the public asked how many years ago DG Fairhaven started pursuing alternate energy such as wind and wave power in an attempt to reduce carbon.

Bob Marino of DG Fairhaven, LLC, explained that DG Energy Solutions proposed a tri-renewable energy generation site, including wind and wave power, in conjunction with its Fairhaven power plant in 2005. Five wind generators were proposed, which elicited visual blight concerns. The fishing industry was concerned with close-in wave energy project impacts and the project fell by wayside. Wave generation is more sophisticated now and DG Fairhaven may look at this again. Marino thanked the board and staff for their diligence and stated the \$65/MWh is a modest increase over solar and wind generation prices and that DG Fairhaven can accept that price this year because of a preponderance of no-cost fuel.

Executive Director Marshall described the process leading up to the procurement guidelines and percentages. RCEA was aiming for about 15% locally-produced electricity, or about 20 MW based on price and customer load projections. The proposed agreement with DG Fairhaven brings the biomass amount to 23 MW, which is not far from the original 20 MW target. The difference in percentages is greater because of the way the actual numbers trued up with the TEA technical study's projected numbers.

Chair Woo recalled from past biomass procurement discussions that 15% was a middle ground between going all in on local biomass and not purchasing local biomass at all. Executive Director Marshall confirmed that initially there were three biomass

plants, including Blue Lake, competing to provide power. If all were operating at full capacity, the percentage would be higher. The 15% portion represents a middle-of-the road approach, using one to two facilities.

Chair Woo also recalled past, lengthy board discussions resulting in decisions to let other agencies do their jobs to monitor biomass energy's public health and environmental effects as RCEA is unable to enforce air or water quality regulations. However, the PPAs state that if the company is not complying with environmental rules, RCEA can discontinue doing business with them. The North Coast Unified Air Quality Management District and the Humboldt Bay Municipal Water District determine compliance.

Director Fennell stated that any energy production has impacts and that if companies are in violation of standards, then RCEA will not do business with them.

Director Sweeney stated the board has been told that research on lung health says the 10 parts per million (ppm) standard is inadequate and that 2.5 ppm is the preferred. Legal Counsel Diamond confirmed that both the Environmental Protection Agency and the state are developing 2.5 ppm standards. Director Sweeney pointed out that the improved standards will be applied to local biomass producers and improve things significantly.

Director Wilson stated that Humboldt County never actually uses green power produced in Riverside County or Washington State because of power grid line constraints. PG&E's natural gas power plant, imported electricity from a line along Highway 36, or local generation are the area's only power sources. Humboldt Redwood Company spent millions of dollars on plant upgrades to meet air quality regulations and will continue to do so as regulations become more stringent. Humboldt County residents must use what is here to keep their lights on.

Vice Chair Winkler has been working with Sierra Club staff and the Building Decarbonization Group to push for policy that promotes the shifting from wood stoves to electric heat pumps.

Richard Engel clarified that clause 5.1.b.6 of the power purchase agreement ("Events of Default") gives RCEA the right to end the agreement if the energy producer does not comply with applicable laws.

Director Allison requested tabling the PPA decision until the next meeting as going from under 15% to 24% biomass procurement for at least a year is a big decision and is a lot for local ratepayers to consider. Director Allison stated that RCEA is breaking promises by creating this agreement and the public may not be comfortable knowing the board supported sourcing 24% of ratepayers' renewable energy from biomass. Biomass is a dirty renewable energy that releases particulates into the atmosphere that affect public health. Getting rid of the county's biomass waste should not be RCEA's responsibility. The \$65/MWh price is still high compared to other renewables. Local clean energy alternatives, including offshore wind power, may be more affordable.

Director Miller stated that the PPA must be approved in the short term and asked that more information about biomass be provided for long-term planning.

Director Glaser recalled that at the CCA's inception, the need to pay back TEA funds motivated using the least expensive renewable energy. Humboldt County's cogeneration power plants differentiate the region's CCA from other California CCAs and justify RCEA's unique approach. The biomass plants use EPA-regulated filter systems costing millions of dollars and their emissions are minute compared to forest fires. The electricity they produce is the best outcome from pulp waste product. Supporting this local company is a great use of ratepayer dollars.

Chair Woo pointed out that as the DG Fairhaven power procurement discussion continued for months, another big project, offshore wind, has come up. Chair Woo expressed to RCEA staff that she did not want to jeopardize future local energy projects by putting more money into local biomass now. Staff assured Chair Woo that because this is a 12-month contract, they are comfortable with this recommendation. Director Fennell added that off-shore wind will not be operational next year.

Executive Director Marshall clarified that both parties need to mutually agree to renew the current agreement with the current price and terms. This will be a board decision, not an automatic renewal, at the end of the 12-month contract.

**M/S/C: Fennell, Wilson: Approve 12-month power purchase agreement with DG Fairhaven, LLC, and authorize the Executive Director to execute the agreement and any other associated documents as necessary.**

**AYES: Fennell, Glaser, Miller, Ricca, Sweeney, Wilson, Winkler, Woo**  
**NOES: Allison**

## **6. NEW BUSINESS**

### **6.1 Election of Officers**

**Select RCEA Board Chair and Vice Chair and authorize them as signers on RCEA bank accounts.**

Chair Woo stated she is willing to serve another year as chair. Vice Chair Winkler stated he is also willing to serve another year as vice chair. Director Wilson said both have done a great job.

**M/S/C: Sweeney, Miller: Select Sheri Woo as RCEA Board Chair and Michael Winkler as Vice Chair and authorize them as signers on RCEA bank accounts.**

**AYES: Unanimous**

### **6.2 Offshore Wind Energy**

**Appoint RCEA Board members to an Offshore Wind Energy Subcommittee.**



Approve issuing a Request for Qualifications for Offshore Wind Energy Development Partners after final review and approval by RCEA Legal Counsel and the RCEA Offshore Wind Energy Board Subcommittee.

Approve RFQ-response evaluation team members.

General Counsel Diamond, RCEA staff and Principal Power, Inc. representatives spoke with a federal regulatory agency, the Bureau of Ocean Energy Management (BOEM) and learned that interest in offshore wind energy in California is growing very quickly. To maintain some local control of the coast's offshore wind resource, RCEA needs to file an unsolicited lease application as soon as possible. Corporations and state agencies are now aware of this resource and are already reaching out to board members and Executive Director Marshall. A competitive solicitation process would allow RCEA to enter into an agreement with a competent entity or entities to prepare and submit a lease application quickly while continuing to study the viability, cost and impacts of this project and do public outreach. After discussion with Executive Director Marshall, Chair Woo and Vice Chair Winkler, the group determined that going through a request for qualification process is the best, most transparent way to facilitate a formal, ongoing partnership with Principle Power or another competitor, and which also allows the board to evaluate what other types of partnerships may be available.

The proposed request for qualifications (RFQ) is divided into three components:

1. For environmental consulting services to prepare the lease and do the many environmental studies this project requires;
2. For a company with a viable floating platform that can hold a wind turbine; and
3. For a company with the capability to finance, build and operate an offshore wind project. This type of company is common in other parts of world, but not on the West Coast.

It will be at least a several-year process before any equipment is installed. Acquiring the BOEM lease gives site control to begin the many state and federal processes to evaluate fishing, environmental, and cultural impacts.

Executive Director Marshall requested a board subcommittee to help with the RFQ process along with a response evaluation team made up of community members. The RFQ's proposed release on February 1 allows time for board and staff members to speak with Principle Power or other developers who will be in Eureka this week. After the RFQ is released, reviewers would not be able to communicate with the developers. Executive Director Marshall explained the provided list of evaluation team members is tentative and meant to include representatives of local economic development, public agency, tribal and environmental groups, including local fishermen, who appreciated being included in the process but may abstain from voting on the recommendation to avoid endorsing the project without due consideration. The board subcommittee would help finalize the evaluation team.

Directors Miller, Fennell, Vice Chair Winkler and Chair Woo expressed interest in serving on the subcommittee. Executive Director Marshall clarified that subcommittee members would finalize the RFQ and help define RFQ scoring criteria. The evaluation

team's membership should represent the breadth of community stakeholders and not be too large. Director Wilson reminded the board that competing entities have a lot of money and RCEA needs to move ahead now. Legal Counsel Diamond reminded board members not to be lobbied by RFQ respondents and to refer inquiries to Executive Director Marshall or the RFQ itself. Board members can meet with any company only before the RFQ is released.

Allison Talbott of PG&E noted she is on the evaluation team list but was the only business representative. She asked the board to consider adding more business representatives, possibly from a large construction company, who may have helpful perspectives on the responses.

Antoine Peiffer of Principle Power, LLC, stated his company is fully supportive of the RFQ process and considers it the best way for the project to move forward and make sure local control is kept. The company believes RCEA's advantage in BOEM's unsolicited lease process is that it would be difficult for a public agency to go against another public agency. BOEM will value RCEA's community representation in their lease considerations. Principle Power will respond to the RFQ in February.

**M/S/C: Sweeney, Ricca: Appoint RCEA Board members Woo, Winkler, Fennel and Miller to an Offshore Wind Energy Subcommittee.**

**AYES: unanimous**

**M/S/C: Ricca, Miller: Approve issuing an RFQ for Offshore Wind Energy Development Partners after final review and approval by RCEA Legal Counsel and the RCEA Offshore Wind Energy Board Subcommittee.**

**AYES: unanimous**

**M/S/C: Miller, Ricca: Delegate approval of members of the RFQ-response evaluation team to the members of the Offshore Wind Energy Subcommittee.**

**AYES: unanimous**

### 6.3 Community Advisory Committee Appointments

**Nominate and appoint Community Advisory Committee (CAC) members to fill the vacant seats.**

**Authorize staff to announce and post the CAC application to fill the four at-large vacancies.**

**Appoint at least one RCEA Board member as a CAC liaison that will attend CAC meetings.**

Executive Director Marshall reviewed staff report 6.3 on the Community Advisory Committee's current membership needs. Chair Woo stated she has been serving as the committee liaison and is ready to step down. Director Sweeney recommended Dennis Leonardi, a well-regarded local dairyman and submitted his application form.

Executive Director Marshall stated committee recruitment efforts will include placing an announcement on RCEA's webpage, in some local newspapers and informing the Eureka and Arcata energy committees. The Committee members provide input to the board and engage community members on RCEA's work. Last year they helped craft RCEA's community choice energy outreach messaging. The board can also determine the group's tasks, assigning the committee to review staff recommendations for community choice funded programs, for example.

Member of the public Margaret "Meg" Stofsky expressed interest in applying as an at-large committee member and introduced herself to the board.

**M/S/C: Sweeney, Ricca: Approve the current Community Advisory Committee recognizing that some seats remain vacant and will be filled at a later time and appoint Dennis Leonardi to represent the Ferndale area.**

**AYES: unanimous**

**M/S/C: Winkler, Sweeney: Authorize staff to announce and post the CAC application to fill the four at-large vacancies.**

**AYES: unanimous.**

Director Sweeney indicated his willingness to serve as a CAC liaison.

**M/S/C: Ricca, Miller. Appoint RCEA Board member Michael Sweeney as a CAC liaison that will attend CAC meetings.**

**AYES: unanimous**

## **COMMUNITY CHOICE ENERGY (CCE) BUSINESS (Confirm CCE Quorum)**

Items under this section of the agenda relate to CCE-specific business matters that fall under RCEA's CCE voting provisions, with only CCE-participating jurisdictions voting on these matters with weighted voting as established in the RCEA joint powers agreement.

Executive Director Marshall pointed out that it was 5 p.m. and both CCE items were informational and required no action. Chair Woo asked that the items be deferred to next board meeting in February.

### **7. OLD CCE BUSINESS**

7.1. Energy Risk Management Plan Quarterly Report (no action, information only)

### **8. NEW CCE BUSINESS**

8.1 Rate Setting for 2018 (no action, information only)

## **END OF COMMUNITY CHOICE ENERGY (CCE) BUSINESS**

## 9. STAFF REPORTS

### 9.1 Executive Director

- Work with the Governor's Office of Planning and Research on regional and state-level renewable energy planning.

Executive Director Marshall reported that RCEA is facilitating an early February meeting for County and city planning staff on offshore wind energy planning. The Governor's Office of Planning and Research and the U.S. Navy are convening the meeting which will likely cover general plan guidelines, planning for renewable energy in general, military readiness, and any overlapping areas. The California Energy Commission and the Ocean Protection Council may also attend. While this is not a public meeting, Executive Director Marshall will report to the board on meeting outcomes and will see if there will be a public presentation the night before.

Director Sweeney commented that offshore wind power will require onshore support infrastructure. County and city planning staff involvement creates a critical mass of interest.

Director Winkler is going to a Sacramento offshore wind meeting in March and asked if RCEA funds were allocated for this purpose. Discussion followed outlining the need for a board travel policy so there is a clear mechanism for allocating travel fairly among board members. Currently funding depends on whether RCEA had allocated for travel in its budget.

### 9.2 Director of Operations

- Grant submission for California Energy Commission GFO-17-604.

Director of Operations Dana Boudreau described RCEA's proposal for an EV Ready Community grant award of \$200,000 to the California Energy Commission (CEC). Since 2014, RCEA's work promoting alternative fuel vehicles has focused on passenger vehicles. This grant award presents an opportunity to broaden our focus to include other transportation options such as electric bicycles and buses. Staff will submit the proposal to the CEC on February 9 or before.

Chair Woo asked if staff has identified a source for the required \$50,000 in match funding. Mr. Boudreau stated staff is looking to external project partners to help with the required match funding, and to internal program funds since transportation produces the most greenhouse gasses regionally and transportation decarbonization is an excellent sector in which to invest Community Choice Energy program revenues.

## DISCLOSURE OF ITEMS TO BE DISCUSSED IN CLOSED SESSION

The Redwood Coast Energy Authority Board of Directors will meet in closed session to consider the items listed under agenda item number 11, "Closed Session."

## 10. PUBLIC COMMENT REGARDING THE CLOSED SESSION ITEM(S)

## 11. CLOSED SESSION

With respect to every item of business to be discussed in closed session pursuant to Government Code Section 54957(b)(1):

- 11.1. Public Employee Performance Evaluation
  - 11.1.1. Executive Director

**12. RECONVENE TO OPEN SESSION**

**13. REPORT FROM CLOSED SESSION**

Chair Woo stated there was nothing to report from closed session.

**14. ADJOURNMENT**

Chair Woo adjourned the meeting at 6:00 p.m.

Respectfully submitted: Lori Taketa

**NEXT REGULAR MEETING**

Monday, February 26, 2018, 3:15 p.m.

Note: this is the 4<sup>th</sup> Monday of the month due to the Presidents Day Holiday

Humboldt Bay Municipal Water District Office

828 7<sup>th</sup> Street, Eureka, CA 95501



## 9 ACRE CLEAN ENERGY MICROGRID COMING TO ARCATA AIRPORT

February 23, 2018 | [Kym Kemp](#) | [18 comments](#)



*An aerial view of Arcata-Eureka Airport in Humboldt County, California. [Photo provided by HSU]*

Press release from Humboldt State University:

A cutting-edge clean energy microgrid is coming to Humboldt County's regional airport.

Designed by the Schatz Energy Research Center at Humboldt State University, the microgrid will generate green electricity, create jobs for local contractors and technicians, and provide an energy lifeline in the event of a natural disaster. Last week, the California Energy Commission announced a \$5 million grant award through its EPIC program that will support \$6 million in matching funding from the Redwood Coast Energy Authority (RCEA), for development of this solar plus storage microgrid system.

"The Redwood Coast Energy Authority is excited to be partnering with the Schatz Center, PG&E, and the County," said Matthew Marshall, Executive Director of the RCEA. "This project will allow us to provide enhanced resiliency and emergency-response capabilities for the airport and Coast Guard and deliver the environmental and economic benefits of developing our local renewable resources."

Composed of a 2.3 megawatt photovoltaic array covering 9 acres—the largest in Humboldt County—and an 8 megawatt-hour battery storage system, equivalent to the batteries in 100 Tesla Model S cars, the microgrid will support 18 electric accounts including the airport and the U.S. Coast Guard Air Station.

The California Redwood Coast-Humboldt County Airport serves 50,000 flights a year and 140,000 customers, including commercial, private, and emergency medical flights. The Coast Guard Air Station Humboldt Bay provides search and rescue for 250 miles of rugged rural coastline, from the Mendocino-Sonoma County line to the California-Oregon border. Since roads into and out of Humboldt County are often closed by fires and slides, energy stability at the regional airport is crucial.

“This is a wonderful project for Humboldt County and we have a great team eager to get started,” said Peter Lehman, founding director of the Schatz Center and principal investigator for the project. “The airport microgrid will make us a safer and more resilient community and plow new ground in developing the electric grid of the future.”

As the first multi-customer microgrid in Pacific Gas and Electric’s service territory, the project will provide a test bed for the policies, tariff structures, and operating procedures necessary to integrate microgrids into California’s electric grid. Lessons learned will help the state strengthen its power grid by creating a roadmap for microgrid integration across the state.

A microgrid combines energy generation—often solar or wind power—with energy storage and smart controls to allow it to run both connected to and disconnected from the larger power grid. Under normal conditions, microgrids add power to the grid and smooth out power fluctuations, adding stability. In an outage, microgrids can “island” and supply electricity indefinitely. As extreme weather events and fires driven by climate change continue to cause regional outages, the ability to maintain independent power generation is key to local resiliency. Microgrids provide life-saving power to transportation hubs and other critical facilities like shelters, hospitals, and fire stations.

The airport microgrid is the second designed by the Schatz Center for the Humboldt Bay region. The Center’s renewable energy microgrid at the Blue Lake Rancheria (BLR) went live in 2017, providing clean energy to the BLR campus and enabling the Rancheria to operate as a Red Cross Shelter. Last fall, the Rancheria was recognized by the Federal Emergency Management Agency for its contributions to community safety.

#### The Schatz Energy Research Center

For almost three decades, the Schatz Energy Research Center at Humboldt State University has developed clean and renewable energy technologies and implemented them worldwide. Current projects and expertise include smart-grid design, bioenergy

assessment, off-grid energy access, and clean transportation. The Center also plays a leading role in the World Bank Group’s Lighting Africa and Lighting Asia initiatives, which support high quality, affordable energy solutions for people in off-grid and marginal-grid communities.

#### The Redwood Coast Energy Authority

Formed in 2003, the Redwood Coast Energy Authority (RCEA) is a local-government joint powers agency of the County of Humboldt, the Cities of Eureka, Arcata, Fortuna, Rio Dell, Ferndale, Blue Lake, and Trinidad, and the Humboldt Bay Municipal Water District. The purpose of RCEA is to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of renewable resources available in the region. RCEA is the primary provider of electricity generation service for Humboldt County through its Community Choice Energy program.



Redwood Region Economic Development Commission  
 Prosperity Center 520 E Street, Eureka, California 95501  
 Phone 707.445.9651 Fax 707.445.9652 www.rredc.com

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**Regular meeting of the Board of Directors**  
 At the Prosperity Center 520 E Street, Eureka  
**February 26, 2018 at 6:30 pm**  
**AGENDA**

- I. **Call to Order & Flag Salute**
- II. **Approval of Agenda and Minutes**
  - A. Approval of Agenda for February 26, 2018
  - B. Approval of Minutes of the Board of Directors Meeting January 22, 2018
- III. **Public Input for non-agenda items**
- IV. **Program – *Humboldt Bay Harbor, Recreation, and Conservation District Update - Larry Oetker, Executive Director***
- V. **Consent Calendar**
  - A. Acceptance of Agency-wide Financial Reports: January 31, 2018
- VI. **Reports – No Action Required**
  - A. Loan Portfolio Report: January 2018
  - B. Executive Director's Report
- VII. **Old Business**
  - A. None
- VIII. **New Business**
  - A. Election of Executive Committee Member-at-Large
  - B. Consideration of Position Regarding Proposal to De-federalize EDA Revolving Loan Funds
  - C. Consideration of Authorizing Executive Director to Execute Contract with St. Joseph Hospital to Organize a Regional Housing Forum and Follow-up Programming
  - D. Discussion of Agency Priorities for FY 2019
- IX. **Member Reports**
- X. **Agenda/Program Requests for future Board of Directors Meetings**
- XI. **Adjourn**

*The Redwood Region Economic Development Commission will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 445-9651. Notification 48 hours prior to the meeting will enable the Commission to make reasonable arrangements for accommodations.*