

EXHIBIT D.1

**MINUTES OF THE SPECIAL MEETING OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
HELD ON MONDAY, JULY 11, 2012 AT 9:00AM AT THE DISTRICT OFFICE,
1656 SUTTER ROAD, MCKINLEYVILLE**

The special meeting of the Board of Directors of McKinleyville Community Services District convened at 9:00 AM with the following Directors and staff in attendance:

Dennis Mayo, Board President

David Couch, Vice President

John Corbett, Director (arrived at 9:35am)

Bill Wennerholm, Director

Norman Shopay, General Manager

Sharon L. Denison, Secretary

Gregory Orsini, Operations Director

Jason Sehon, Park & Recreation Director

Colleen MR Trask, Finance Director

AGENDA ITEM A-CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE, ADDITIONS TO THE AGENDA:

At 9:00 AM President Mayo called the meeting to order. Directors Couch and Wennerholm were present and Director Corbett and Edwards were absent. Director Wennerholm led the pledge of allegiance. There were no additions to the agenda, however Park & Recreation Director Sehon requested that item E.4 be removed from the agenda as the Mad River Summerfest had found another venue for their event.

AGENDA ITEM B-APPROVAL OF THE AGENDA

MOTION: It was moved to approve the agenda. Motion by Couch; second by Wennerholm

MOTION VOTE: Ayes: Couch, Wennerholm, Mayo

MOTION SUMMARY: Motion Passed- 3 AYES; 0 NAYS

AGENDA ITEM C- PUBLIC HEARINGS-NONE SCHEDULED

AGENDA ITEM D-CONSENT CALENDAR ITEMS

1. Consider Approval of Minutes of the Board of Directors' Regular Meeting of June 6, 2012
2. Consider Approval of May 2012 Treasurer's Report
3. DCV Violations this month

MOTION: It was moved to approve the consent calendar. Motion by Wennerholm; second by Couch

MOTION VOTE: Ayes: Couch, Wennerholm, Mayo

MOTION SUMMARY: Motion Passed-3 AYES; 0 NAYS

AGENDA ITEM E1-DISCUSS LETTER RECEIVED FROM Humboldt Bay MUNICIPAL WATER DISTRICT:

General Manager Shopay introduced Mark Mandell, Legal Counsel, joining the discussion via conference call. Mr. Mandell introduced himself and explained that he was Special Counsel to the District on revenue matters. Before discussion began, Director Couch declared a conflict of interest in regards to items E.1 & E.2 and recused himself from discussion. At that time President Mayo announced that due to Director Couch's conflict of interest and lack of a quorum, items E.1 & E.2 would need to be rescheduled.

President Mayo announced that public comments would be taken at this time out of order. The following people addressed the Board:

1. Kaitlin Sopoci-Belknap, HBMWD Board President introduced herself, Sherri Woo, Director Division 1 and Barry Van Sickle from Operations present as representatives of HBMWD. Kaitlin said they were hoping to clarify information they received regarding our retention of legal counsel with respect to the HBMWD contract and expressed concern that items E.1 & 2 had to be postponed due to lack of quorum in light of the looming deadline for submission of the grant.
2. Pat Kaspari addressed the Board to ask if they wanted him to give his presentation at this time or at a future meeting. It was Board consensus for him to give the planned presentation at this time. Pat Kaspari gave a brief overview of the intertie study and the Proposition 50 Grant Opportunity. He reviewed the costs associated with the three alternatives and the application requirements and timeline.
3. Jeff Dunk inquired if any seismic risk had been identified through the study.

At 9:35AM Director John Corbett arrived at the meeting. President Mayo closed public comment and re-opened Agenda Items E.1 & E.2 due to a quorum with the arrival of Director Corbett.

AGENDA ITEM E1-DISCUSS LETTER RECEIVED FROM Humboldt Bay MUNICIPAL WATER DISTRICT: AGENDA ITEM E.2-OPPORTUNITY FOR HBMWD TO SUBMIT A PROPOSITION 50 GRANT APPLICATION TO THE DEPARTMENT OF PUBLIC HEALTH FOR FUNDING OF INFRASTRUCTURE IMPROVEMENTS FOR EMERGENCY WATER SUPPLY: President Mayo opened an informal discussion on these two items and Humboldt Bay representatives, District Special Counsel Mark Mandell, MCSD Directors and staff discussed the letter and details of the grant opportunity. Mr. Mandell drew the Board's attention to Section 4 of the Memorandum of Intent. He explained to the Board that he and HBMWD's special counsel had a lengthy discussion about this provision and agreed that the sole purpose of this Section was to commit MCSD, the City of Arcata, and HBMWD to the commitments they had already made in water supply agreements. Section 4 does not prevent any of these three entities from exercising any rights they have under the water supply agreements, nor does it prevent any party from proposing amendments to the agreements. Mr. Mandell noted that he had been retained with respect to the supply agreements because the District's general counsel, who is also now HBMWD's general counsel, cannot provide legal advice to either of his clients regarding these agreements. This left Mr. Shopay without a lawyer he could call for ongoing advice on the implementation of these agreements. Mr. Mandell explained that the letter his firm sent to HCSD was sent because, as Mr. Mandell represented HCSD in the past, he needed to get a conflict waiver from HCSD to advise MCSD on a multilateral supply arrangement that affects HCSD. He obtained a similar waiver from Mr. Shopay on behalf of MCSD. After much discussion a motion was made:

MOTION: It was moved:

1. to approve the Memorandum of Intent for submission by HBMWD for Proposition 50 Grant Funding for infrastructure improvements that would include connecting new emergency water supply piping from Arcata, Valley West Boulevard to the MCSD piping in the Mad River Bridge;
2. After staff and legal review and approval of a final draft Memorandum of Agreement (MOA), bring the draft MOA to the Board for review and discussion;
3. Seek to include and obtain complete funding for the entire project that includes funding for the Northern portion of pipeline from the Mad River Bridge to the Ramey Pump Station;
4. Determine if any MCSD costs incurred related to the District financed and placement of the existing pipeline in the Mad River Bridge is eligible for cost reimbursement and seek to obtain such cost reimbursement.

5. Direct General Manager Shopay to work with Director Corbett to draft a response letter to Humboldt Bay Municipal Water District for Board review at a future date.

Motion by Wennerholm; second by Corbett

MOTION VOTE: Ayes: Corbett, Wennerholm, Mayo Abstention: David Couch

MOTION SUMMARY: Motion Passed-3 AYES; 0 NAYS; 1 ABSTENTION

AGENDA ITEM E.3-RESOLUTION AUTHORIZING THE SUBMISSION OF A DEPARTMENT OF WATER RESOURCES LOCAL GROUNDWATER ASSISTANCE PROGRAM FOR THE DEVELOPMENT OF A GROUNDWATER MANAGEMENT PLAN:

MOTION: It was moved to approve Resolution 2012-21 authorizing application to the California Department of Water Resources for Local Groundwater Assistance Grant Funding. Motion by Corbett; second by Wennerholm.

MOTION VOTE: Ayes: Corbett, Couch, Wennerholm, Mayo

MOTION SUMMARY: Motion Passed-5 AYES; 0 NAYS

AGENDA ITEM E.4-APPROVE MAD RIVER SUMMERFEST EVENT AT PIERSON PARK: This item was removed from the agenda.

AGENDA ITEM F-REPORTS-NONE SCHEDULED

AGENDA ITEM F-REPORTS-NO REPORTS SCHEDULED

AGENDA ITEM G-PUBLIC COMMENT AND WRITTEN COMMUNICATIONS: President Mayo again opened public comment and two people addressed the Board with comments.

AGENDA ITEM H-CLOSED SESSION DISCUSSION-NO CLOSED SESSION ITEMS SCHEDULED

AGENDA ITEM I-ADJOURNMENT:

MOTION: It was moved to adjourn the meeting at 10:50AM. Motion by Corbett; second by Wennerholm.

MOTION VOTE: Ayes: Corbett, Couch, Wennerholm, Mayo

MOTION SUMMARY: Motion Passed-4 AYES; 0 NAYS

Respectfully Submitted,

Sharon L. Denison,
Board Secretary