

**San Juan Water District Board of Directors
Board of Directors WORKSHOP
FEBRUARY 15th & 16th, 2011
Workshop Summary**



This summary was prepared by the facilitation team from written notes taken during the workshop. A recording of the two-day workshop was also taken.

Table of Contents

Workshop Day 1: February 15 th	1
Opening Remarks and Agenda Review	1
Review of Essential Criteria for Selecting Priority Actions.....	2
Review of Priority Actions – Issue Summary Papers.....	2
Complete Capital Projects.....	2
Conservation	3
Sacramento Bay Delta.....	4
Public Information and Wholesaler Customer Communication (Two Issues Combined).....	4
Water Forum.....	5
Water Supply Reliability.....	6
USBR CVP Shortage Policy.....	7
Workshop Day 2: February 16 th	7
Welcoming Remarks and Agenda Review	7
Final Issue Summary: Operating Costs.....	7
Review of Intended Use of Principles	8
Policy Principles	8
Separation/Consolidation of Agencies.....	8
Sacramento Bay Delta.....	9
Groundwater Management	11
State Fees.....	11
Wholesaler Capital Project Cost Allocations.....	13
Closing Remarks.....	14

Workshop Day 1: February 15th

Opening Remarks and Agenda Review

San Juan Water District (SJWD) Board of Directors President Ted Costa called the meeting to order and explained that the next two days are a workshop and that the Board is not setting policy but rather priorities and guiding principles.

Facilitator Dorian Fougères reviewed the agenda and ground rules. One the first day of the workshop, the Board would first review and finalize a list of priority issues for the upcoming year. For each issue

the Board would then review a summary paper prepared by staff, provide feedback, and identify specific actions for staff to take.

Review of Essential Criteria for Selecting Priority Actions

The discussed potential criteria proposed by the facilitator and added additional considerations to the final list:

- (Impacts on) customer rates
- (Impacts on) water supply reliability
- Staff workload (with agreement that staff could either be increased or decreased based on the needs of priority actions)
- Financial Impacts
- Water delivery reliability
- Customer service
- Compliance with law and regulations

Review of Priority Actions – Issue Summary Papers

- Staff made the Issue Summary papers available to Board members prior to the workshop.
- Before the discussion began on the drafted issue papers, Director Peterson suggested adding “reducing operation costs” to the list of priority items for 2011. After discussion the Directors agreed to add “operating costs” to the list for the time being, and that Director Peterson will draft language for the Board’s consideration at the beginning of the policy principles workshop the next day.
- The Board decided to combine the “Public Information” and “Wholesaler Customer Communication” issue summaries in a single discussion item.

Complete Capital Projects

Issue Summary Proposed Actions:

1. *Complete current projects.*
 2. *Reevaluate each project prior to construction to confirm requirement to complete at this time.*
- General Manager Shauna Lorange clarified that this issue paper applied to all agencies in the San Juan family.
 - For the Issue Summaries, Director Peterson suggested deleting “actions from past” because it does not apply to all actions and may cause confusion.
 - Director Peterson explained that a reserve account may be appropriate for funding some projects, and the Board agreed to add his suggestion:

- **ACTION:** Reevaluate each project's funding sources prior to implementation.
- The Board discussed the Fair Oaks 40-inch Pipeline capital improvement project. After discussing that the project had not moved forward as desired, the Board agreed on the following action:
 - **ACTION:** Evaluate the current Fair Oaks 40-inch Pipeline project implementation strategy, and have the Board create a clear plan of action for advancing the issue.
- Board Attorney Paul Bartkiewicz pointed out that while the essential criteria mentioned earlier could help to decide on priority actions, they could also be used to decide whether to continue with certain projects.

Conservation

Issue Summary Proposed Actions:

1. *If this is selected as a priority, then propose the development of water efficiency policy principles to guide staff in legislative activities.*
 2. *Develop plan for 20% by 2020 and coordinate with wholesale customer agencies*
 3. *Develop UWMP*
 4. *Continue to work with legislatures to keep requirements reasonable*
- The Board discussed the consequences for non-compliance including the risk of not receiving grant funding, and the risk of having SJWD's water rights redefined based on the reasonable use doctrine as a per capita amount of use.
 - Board Attorney Mr. Bartkiewicz explained that the 20% reduction by 2020 is a permanent reduction requirement.
 - Mr. Bartkiewicz suggested political and public outreach to explain the District's consumptive use based on climate, density, etc.
 - Ms. Lorance mentioned that if large population centers do not conserve 20% the State may require other agencies like SJWD to conserve greater amounts to make up the difference.
 - Ms. Lorance clarified that if SJWD wholesale's rights were put at risk by noncompliance, SJWD wholesale could reduce the water supplied to family agencies that did not comply.
 - Director Walters pointed out the need for SJWD's education efforts to explain to consumers that conservation does not necessarily mean a reduction in costs, indeed costs would probably rise.
 - Ms. Lorance clarified that hardware replacement programs continue to be needed because of evolving standards. Mr. Lorance also noted that irrigation reviews were more effective.
 - The Board agreed that education and outreach efforts should include legislators, members of the new administration, customers, and the wholesale customer agencies. The Board also agreed on the following revision to the fourth proposed action:
 - **ACTION:** Continue to work with legislatures and the administration to keep requirements reasonable, including through work with coalitions.
 - The Board also agreed to add as a fifth action:

- **ACTION:** Increase existing public outreach and education.
- Per Mr. Barkiewicz's suggestion, the Board agreed to add the following sixth action. Mr. Barkiewicz agreed to provide appropriate legal language after the meeting, noting that it involved more than just ownership of conserved water.
 - **ACTION:** Investigate the ability to retain the benefits of conserved water.
- Ms. Lorance clarified that the third proposed action referred to developing an Urban Water Management Plan for San Juan wholesale and retail. The Board also agreed to add as a seventh action:
 - **ACTION:** Continue to work to resolve USBR conservation reporting requirements.

Sacramento Bay Delta

Issue Summary Proposed Actions:

1. *If this is selected as a priority, then propose the development of Delta policy principles to guide staff.*
 2. *Continue with state and federal lobbying and education on the issues as related to northern California.*
 3. *Coordinate and join forces with regional and northern state agencies and coalitions.*
 4. *Implement public information through RWA.*
 5. *Continue state and federal lobbying efforts.*
- **ACTION:** Ms. Lorance clarified that the third proposed action referred to agencies in the northern part of the state.
 - The Board decided to combine proposed actions two and five to reduce redundancy.
 - Ms. Lorance and Mr. Barkiewicz explained that the need for federal lobbying exists because of Bay-Delta issues and how these might affect storage and reservoir operations upstream of Folsom Reservoir, as well as litigation on the operations of the Central Valley Project more generally. Lobbying efforts included communication with Congressman Tom McClintock, the Department of the Interior and USBR Commissioner, among others. The intent was to ensure that any non-beneficial changes to Folsom Reservoir operations would be mitigated.
 - Various members asked about Delta-related fees, and agreed to discuss this topic at the second half of the workshop on February 16.
 - Director Peterson requested adding in the "Future Efforts" section of the summary that other stressors are being investigated.

Public Information and Wholesaler Customer Communication (Two Issues Combined)

Issue Summary Proposed Actions for Public Information:

1. *Continue direct communication style in water gram*
2. *Wholesale public information*
3. *Regional PI program regarding legislation, etc.*
4. *Be available as a speaker for homeowner associations, etc.*

Issue Summary Proposed Actions for Whole Customer Communication:

1. *Mailer to all residences within wholesale service area related to legislative activities, once they reach a point where the information will not be outdated when received.*
 2. *Continue periodic status updates.*
 3. *Increase amount of email updates on issues as they arise.*
 4. *Increased attendance at wholesale customer agency board meetings by staff and/or board members?*
 5. *Continue executive committee meetings*
 6. *Continue GM meetings*
- As part of the education campaign, it was agreed to explain to customers that conservation does not necessarily mean reduced costs.
 - The Board agreed to add at the end of the first proposed action:
 - **ACTION:** Continue direct communication style in water gram and email listserve.
 - The Board suggested sharpening the third proposed action to read:
 - **ACTION:** Support the Regional Water Authority's public information program.
 - Director Peterson suggested that making it easier to find Board documents and to understand SJWD financial information on the website (for example, separating benefits and salaries from program costs), and to look at the Fair Oaks Water District website as an example. The Board agreed to add two actions:
 - **ACTION:** Improve access to Board documents on the SJWD website.
 - **ACTION:** Increase financial transparency on the SJWD website.
 - **ACTION:** Ms. Lorance clarified that the second proposed action under Wholesale Customer Communication applied to the Executive Committee email list.
 - **ACTION:** The Board agreed that the third proposed action should be clarified to indicate that it applies to all appropriate audiences – retail customers, wholesale customer agencies, legislators, etc.
 - The Board developed the following list of key audiences: the Boards of other family agencies, SJWD retail customers, indirect customers (those served by other wholesale customer agencies), existing and future staff, and legislators. The Board agreed to add the following action:
 - **ACTION:** Send pertinent materials – including letters as well as general communication and education materials – to legislative offices.
 - After discussing difficulties in communication, the Board agreed to add the following action:
 - **ACTION:** Send registered letters to the Fair Oaks Board to ensure they have received information.

Water Forum

Issue Summary Proposed Actions:

1. *Proposed continue with WF process as necessary.*

Board Attorney Mr. Bartkiewicz provided an update on the Water Forum's status and explained why the Board should be considering this as a priority action. He explained that the Forum brought regional purveyors together to advance co-equal goals, including the flow standard for the American River. After 10 years this flow standard has not been officially adopted by the State Water Board (State Board) or implemented by the US Bureau of Reclamation (USBR).

Mr. Bartkiewicz explained that the Water Forum is organizing a dialogue among the caucuses to move the flow standard forward, and this will go before the State Board. If the coalition did not hold, however, environmentalists would go to the State Board and force it to hold a hearing on Bay-Delta standards, during which it could amend associated water rights and add conservation elements. SJWD could be negatively impacted in this scenario. Mr. Bartkiewicz and Ms. Lorance felt the Board should stay involved to ensure their interests are represented. Ms. Lorance noted that SJWD had also built important relationships with environmental groups through the Forum.

- The Board agreed to the following actions:
 - **ACTION:** Discuss with Roger Niello the potential for his participation in the Water Forum as a representative of SJWD wholesale.
 - **ACTION:** Report back to the Board on progress after a reasonable period, and evaluate whether to continue this action.

Water Supply Reliability

Issue Summary Proposed Actions:

1. *Continue to monitor Delta processes and get involved when appropriate/necessary*
2. *Continue regional public information project*
3. *Continue shared state lobbying effort*
4. *Continue with technical efforts for second intake at Folsom Reservoir*
5. *Review joint Biological Opinion when released and identify actions at that time.*

Ms. Lorance noted that Orangevale had requested that SJWD wholesale provide support on groundwater management issues; that legislation was likely to be proposed in the near future; and that South Sacramento was part of SJWD's groundwater basin, which was being overdrafted. Assistant General Manager Keith Durkin also noted that the issue also included the ability to implement a groundwater substitution transfer with San Diego.

- Board members were sensitive to Ms. Lorance's workload and asked her to identify staff other than the Assistant General Manager who could support her and get educated on the topic.
- Board members agreed to the following actions:
 - **ACTION:** Continue to track groundwater issues and keep the Board informed, but do not take a leadership role.
 - **ACTION:** Continue to support the work of the Sacramento Groundwater Authority on this issue.

- The Board agreed to delete the first proposed action as it was covered in the Bay-Delta section.
- **ACTION:** The Board agreed to clarify for the third proposed action that this included state and federal lobbying efforts.
- The Board then discussed a second intake at Folsom Reservoir and clarified its position:
 - The Board agreed that if Folsom Reservoir reoperations put SJWD's water supplies out of the existing intake range, the USBR should mitigate this impact.
 - The Board agreed that it did support work on a second intake for emergency response purposes.
 - The Board agreed to continue to support upstream water supply reliability.

USBR CVP Shortage Policy

Issue Summary Proposed Actions:

1. *Remain involved in this process. This process is vital to protecting our ability to use our water rights and contracts.*
2. *Follow project through environmental process to protect SJWD interests.*

- The Board agreed to the two proposed actions.

The Board agreed to spend approximately 15 minutes at the start of the next day to review proposed actions for operating costs, and then adjourned.

Workshop Day 2: February 16th

Welcoming Remarks and Agenda Review

SJWD Board of Directors President Ted Costa, called the second day of the Board of Directors Workshop meeting to order.

Final Issue Summary: Operating Costs

Proposed Actions from Director Peterson:

1. *Reduce electrical costs – solar*
2. *Reduce chemical costs – WTP changes, lowered pressures*
3. *Reduce labor costs – personnel committee recommendations*

- a. *Reevaluate labor needs periodically, e.g., no cip = no engineering, conservation = maintenance*
- 4. *Reduce interest expense? Nonops?*
- 5. *Other efficiency and cost saving actions*
- 6. *Work smart*

Director Peterson presented the language he drafted on “Reduce Operating Costs”, his suggested addition to the Priority Action list for 2011. Discussion followed.

- Staff clarified that interest expenses are in the operating budget for SJWD retail, while expenses are in the non-operating budget for SJWD wholesale.
- Director Costa noted that the cost of solar power infrastructure would negate savings in the near term.
- Board Attorney Mr. Bartkiewicz mentioned that staff periodically give comprehensive presentations on operating costs and possible reductions, which communicate to the public that SJWD has a strong cost ethic. This type of public communication effort should be continued.

After discussion the Board agreed upon the following actions:

- **ACTION:** Continue to work to reduce electrical costs, chemical costs, interest expenses, and customer service costs
- **ACTION:** Use the existing personnel committee structure to consider labor cost reductions
- **ACTION:** Continue to investigate consolidation
- **ACTION:** Continue the “work smart” cultural emphasis on fiduciary financial responsibility.

Review of Intended Use of Principles

The focus of the second day of the workshop to structure policy principles and get feedback and input from the Board on what staff drafted. Much like the Priority Actions for 2011 discussed the day before, staff needs guidance and direction from the Board on these policy principles so they can effectively and accurately represent and advocate on behalf of the Board.

Policy Principles

Separation/Consolidation of Agencies

Proposed Principles:

1. *Encourage functional consolidation where beneficial in ways such as:*
 - a. *Efficiency*
 - b. *Cost savings*
 - c. *Effectiveness*
2. *Open to any discussion regarding consolidation of agencies*
 - a. *Must provide a benefit*

- i. *Efficiency*
 - ii. *Cost savings*
 - iii. *Effectiveness*
 - iv. *Other?*
 - b. *Must be legally doable*
 - c. *Must be well planned*
- 3. *Open to any discussion regarding separation of agencies*
 - a. *Must provide a benefit*
 - i. *Efficiency*
 - ii. *Cost savings*
 - iii. *Effectiveness*
 - iv. *Other?*
 - b. *Must be legally doable*
 - c. *Must be well planned*

The policy principle list drafted by staff considered three separate issues: (1) functional consolidation across agencies, (2) merging with another board, and (3) separation of agencies.

- The Board agreed to continue to encourage functional consolidation.
- The Board discussed whether consolidation of agencies should benefit or simply not burden ratepayers, but could not come to agreement.
 - The Board did not agree whether a proposal could be neutral. One member noted that in some cases consolidation could create even a burden, and a decision would have to include an evaluation of efficiencies, costs savings, effectiveness, and other impacts.
 - The Board also sought to distinguish between different ratepayers – those of SJWD and those of other agencies, for example.
 - The Board also noted that while ratepayers might benefit, staff could be negatively impacted.
- The Board also had concerns over who could propose a consolidation or separation. They could not agree that a proposal must necessarily come from a majority of another board and be presented directly to the SJWD board. One member felt it was important to allow any genuinely interested ratepayer to make a proposal directly to the SJWD board.
- The Board agreed that they reserve the right to decide on the merits of any consolidation or separation proposal.
- The Board agreed to delete policies 2 and 3, and that replace this with the principle that any proposals for consolidation or separation should be brought to the Board for discussion.

Sacramento Bay Delta

Proposed Principles:

1. *Comprehensive Program*
 - a. *Conveyance solution*
 - b. *Additional groundwater and surface water storage*
 - c. *Investments in conservation and local resources*
 - d. *Environmental restoration*
 - e. *Include quantifiable goals and objectives*
 - f. *Not negatively impact upstream water users or environment*
2. *Scope and legal authority of programs*
 - a. *Limited to legal definition of Sacramento Delta*
3. *Consideration of state water agency to operate*
 - a. *SWP*
 - b. *CVP*
 - c. *Oppose additional layer of authority over existing SWP and CVP that increase uncertainty or undermine water supply reliability*
4. *Financing*
 - a. *Needs a financing plan*
 - b. *Oppose general fee authority*
 - c. *Consider targeted fees based on beneficiary pay principle as interpreted by those paying the fees*
5. *Water Rights*
 - a. *Must use existing water rights system*
 - b. *Protection of area of origin is prerequisite*
6. *Conveyance*
 - a. *Must reduce impacts to endangered species*
 - b. *Not impact water supply reliability for upstream users*
 - c. *Reduce vulnerabilities of natural disasters, especially the impact to Folsom Reservoir Water Supply*

(1) Comprehensive Program

- The Board agreed to clarify that a Comprehensive Program must include the elements that followed.
- Director Walters suggested making the first priority, “Not negative impact upstream water users or the environment.” Director Peterson suggested that this language should reference the water rights priority system, in which senior rights took precedence over junior rights.
 - The Board asked Mr. Bartkiewicz to provide appropriate language to reflect the water rights system in this principle.
- The Board agreed to add regional self-sufficiency to item (c).

(2) Scope and legal authority of programs

- The Board agreed to clarify that the definition should not include upstream areas or tributaries.

(3) Consideration of state of water agency to operate

- The Board agreed to add, SJWD does not oppose the State Water Project being removed from DWR, and the Central Valley Project being dissolved into the State Water Project.
- The Board agreed that staff should track State Water Project discussions, but focus on the Central Valley Project.

(4) Financing

- Director Walters suggested that item (c) simply meant that if SJWD does not benefit, it will not pay.

(5) Water Rights

- The Board agreed to have Mr. Bartkiewicz provide appropriate wording for item (a), along the lines of, “Must maintain existing water rights system and the ability to use that water.”

(6) Conveyance

- The Board agreed that item (b) should be the first priority in this list, and to remove item (a).
- The Board agreed to add, per suggestion by Mr. Bartkiewicz, that conveyance must be paid for by the exporters.

Groundwater Management

Proposed Principles:

1. *SJWD wholesale overlays a portion of the Sacramento Groundwater Basin*
2. *Groundwater is a valuable resource, necessary for shortage and emergency situations*
3. *Groundwater must be protected*
 - a. *New contamination*
 - b. *Existing contamination expanding*
4. *Groundwater basin is best managed by local jurisdictions*
5. *Oppose state interference into existing legal rights to groundwater*
6. *Support expansion of conjunctive management of surface and groundwater*
7. *Support use of potable and reclaimed water for groundwater recharge*
8. *Support banking and exchange programs*

- The Board agreed to Ms. Lorance’s clarification that item (2) applies to shortage and emergencies within the region, and that item (5) refers to opposing state interference as it affects this region.
- The Board agreed that SJWD should not take a leadership role in this area, and to instead add, “Support the positions of the Sacramento Groundwater Authority.”

State Fees

Proposed Principles:

1. *Fees for direct benefit are acceptable*
 - a. *Must be negotiated with agencies paying fees*
 - b. *Must be based on actual costs*
 - c. *Must have a cap on amount of fee*
2. *Fees to transfer costs from State general fund, without direct benefit to water users, is not acceptable*
 - a. *Example of unacceptable fee is a fee to pay for general DWR costs*
3. *Any fee must be based on Beneficiary Pay Principle*
 - a. *Those who benefit pay*
 - b. *Those who do not benefit do not pay*
4. *Fees for benefit should be identified through direct negotiation with those that benefit and will pay fees*
5. *General benefit costs should not be paid by water agencies only*
6. *Statewide general water user fee is not acceptable*
 - a. *Not based on benefit*
 - b. *Not actually a fee, but rather a tax on water*

After discussing that a fee is often a foot in the door for regulatory efforts, and that legislators are skilled enough to work around any restricting language, the Board agreed upon the following:

- Combine items (1) and (4), and items (2) and (5) and (6).
- The general default position is not that a fee is “acceptable”, but rather that SJWD “does not oppose” a fee if it meets the specified criteria.
- The enacting legislation must identify a specific use for the fee.
- The enforcing agency must provide clear accounting.
- The fee must be automatically repealed after five years (or a reasonable time) unless it is reenacted.
- The fee must consider the water rights priority system and first put the burden on junior water rights holders.
- The fee must address all stressors and be in proportion to the impacts/benefits (rather than shared equally).
- The Board will not provide an opinion on general obligation bonds until specific information is presented.
- SJWD does not support the 2012 water bond as it stands. The General Manager will report back to the Board if it changes.

Fluoridating Public Water Systems

Proposed Principles:

Mr. Bartkiewicz proposed the following paragraph in his memorandum on requirements for fluoridating public water systems:

San Juan complies with all applicable laws, most especially with those pertaining to the District's obligation to supply clean, healthful water to its retail and wholesale customers. Under current law, San Juan is not obligated to fluoridate its retail or wholesale water supplies unless secure funding for providing such service is obtained from external sources. The state's policy accords with the Board's policy to keep rates as low as possible while providing the best possible quality of water to its customers. While fluoridating water may provide health benefits to certain people, an independent study commissioned by San Juan concluded that the cost of fluoridating water is not a net benefit for District customers. In light of the significant costs of fluoridating its water supplies and of the fact that not everyone agrees fluoridation is necessary or effective for everyone, San Juan believes that the decision to pay for and use fluoride is best left to each customer.

After discussion the Board agreed to delete this policy and save the memorandum for future reference.

Wholesaler Capital Project Cost Allocations

Proposed Principles:

1. *SJWD wholesale retains authority to plan, fund and construct any wholesale capital project as deemed necessary by the SJWD Board of Directors*
2. *Any project required by an emergency situation, or time critical situation, will be completed by SJWD wholesale. Cost allocations will be identified when time allows.*
3. *SJWD wholesale would prefer to allocate costs, where appropriate, by consensus. Should consensus not be attainable, then SJWD Board of Directors reserves the right to make the ultimate decision on how to allocate costs.*
4. *Projects at Water Treatment Plant and Hinkle Reservoir*
 - a. *Costs will be paid for directly by SJWD Wholesale, as the benefit is to all agencies*
5. *Projects downstream from Hinkle Reservoir*
 - a. *Costs will be allocated to wholesale customer agencies based on benefit provided to each agency*
 - b. *Costs will include the following:*
 - i. *SJWD staff labor time that is a benefit to the project as a whole*
 - ii. *SJWD purchased materials used for the benefit of the project*
 - iii. *Consulting firm costs*
 - iv. *Construction costs*
 - c. *Costs not directly part of a project, but associated with retaining water service to an individual agency, will generally be paid by SJWD wholesale*
 - i. *In general, SJWD wholesale will make all reasonable efforts to keep all wholesale customer agencies in service during construction*
 - ii. *When there is a benefit to the wholesale customer agency beyond the construction project, the allocation of costs will be decided on a project by project basis. The likelihood, or unlikelihood, of a wholesale agency initiating the project without the wholesale construction project will be taken into consideration when allocating costs.*

- d. *When possible, the allocation of costs will be included in a written agreement prior to beginning a project*
 - i. *In many cases, a feasibility/pre-design study will be required to appropriately allocate costs. Depending on the project, SJWD wholesale will either front the funds for the study prior to an agreement, or a MOU will be developed to allocate costs for just the study.*
 - ii. *Construction will not begin, unless extenuating circumstances, without a signed agreement from all agencies involved.*
 - iii. *Agreement will include a penalty and interest statement for outstanding unpaid invoices related to reimbursement to SJWD wholesale.*

General Manager Lorance mentioned that she will work with the Board's attorney to clarify the writing in this section.

- For item (5) the Board agreed that cost allocations will be proportional based on capacity, and that all capacity will be allocated.
 - Capacity will be based on data collected after June 2009 to reflect the new meters.
 - Item (5)(d) should be connected with item (3), thus if consensus on cost allocations cannot be reached, the Board will make the ultimate decision.
- Director Walters asked Mr. Bartkiewicz to strengthen item (5) by referencing legal requirements about liability for repairs and maintenance.
- Regarding item (5) the Board did not agree on whether to delegate final authority for negotiating costs to the General Manager or to require the General Manager to report back to the Board for a final decision. Mr. Bartkiewicz noted that either way concerns about allocations would come back to the Board in the form of a rates issue.

Closing Remarks

Board President Costa thanked members for their time and ended the meeting.