

# **SAN JUAN WATER DISTRICT**

## **Board of Director's Meeting Minutes**

March 9, 2011 – 7:00 p.m.

### **BOARD OF DIRECTORS**

Ted Costa	President
Pam Tobin	Vice President
Kenneth Miller	Director
Dave Peterson	Director
Bob Walters	Director

### **SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF**

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Mary Morris	Finance and Administrative Services Manager
Judy Johnson	Customer Service Manager
Rick Hydrick	Operations Manager
Jason Mayorga	Distribution Operator IV
Teri Hart	Board Secretary/Administrative Assistant
Joshua Horowitz	Counsel

### **OTHER ATTENDEES**

Dave Hodson	Customer
Jeanette Roberts	Customer
Ken Roberts	Customer
Lianne Peterson	Customer

### **AGENDA ITEMS**

- I. Public Forum**
- II. Consent Calendar**
- III. Old Business**
- IV. Committee Reports**
- V. Information and Action Items**
- VI. Upcoming Events**
- VII. Closed Session**
- VIII. Open Session**
- IX. Adjourn**

President Costa called the meeting to order at 7:00 p.m.

#### **I. PUBLIC FORUM**

There were no public comments.

## II. CONSENT CALENDAR

All items under the consent calendar are considered to be routine and are approved by motion. There will be no separate discussion of these items unless a member of the Board, audience, or staff request a specific item removed after the motion to approve the Consent Calendar.

### 1. BOARD OF DIRECTOR'S MEETING MINUTES

Approval of San Juan Water District's Board of Director's meeting minutes as follows:

1. Minutes of the Board of Directors Meeting February 23, 2011

Director Walters requested that item 1 be removed from the Consent Calendar.

Director Walters requested that some changes be made to the February 23<sup>rd</sup> Board minutes as follows:

Page 4: Clarify bill number under "Water Sacramento Regional Water Legislation" (Ms. Lorance requested that the first "Water" in the title be removed) and change to "...found no indication of the purpose for the bill and a necessity..." in the same sentence.

Page 4-5: Change first sentence of last paragraph to "...will be to bring issues forward which need consideration as part of the overall policy and may be referred to another committee before the policy goes to the Board."

Page 6: Change first sentence of first paragraph to "...provide her recommendations listing the pros and cons of the program."

Page 7: Agenda item 1.2, update first sentence to include name of Assemblyman and remove the second sentence completely.

***Director Walters moved to approve the minutes of the February 23, 2011 Board of Directors meeting as amended. Vice President Tobin seconded the motion and it carried unanimously.***

Director Miller inquired if the Board can delete anything from the minutes. Ms. Lorance informed the Board that the minutes are not written verbatim and are in draft form so they can be revised prior to approval.

## III. OLD BUSINESS

### 1. February 15th and 16th, 2001 Board of Directors Workshop

Ms. Lorance informed the Board that the meeting notes for the February 15-16 Board of Directors Workshop were provided in the Board packet. Director Peterson commented that the notes need more clarification and need to be a standalone document so that reference to topics are understood by someone who did not attend the meeting. He requested that the notes be re-written

and reviewed at a future meeting. Director Walters concurred with the request. President Costa instructed Ms. Lorance to work with the facilitator to re-write the notes. Ms. Peterson commented that a document should be written so that it is easy to understand.

*For information only; no action requested.*

**2. FO 40 Pipeline Rehabilitation Project**

President Costa stated that this agenda item would be covered under the Engineering Committee report.

**IV. COMMITTEE REPORTS**

**3. Engineering Committee (3/3/11)**

Director Peterson reported that the committee met on March 3, 2011 and discussed the Fair Oaks 40 Pipeline Project. The attendees included directors and staff from Fair Oaks Water District, Orange Vale Water Company and San Juan Water District. The committee meeting minutes will be attached to the original board minutes.

The main issues discussed were:

- Re-confirm project definition (scope, schedule, and budget).  
The attendees agreed that the scope, schedule and budget were correct.
- Review draft MOU. Confirm each Agency can provide approval at March Board Meetings.  
All attendees agreed to take the agreement to their Board of Directors at their next Board Meeting.
- Discuss project costs to date.  
No comments on project costs were received. Tom Gray and Randy Marx complimented SJWD on the detail and backup provided with the cost data. They confirmed this information addressed FOWD questions and concerns.
- Discuss project cost allocation methodology for final Agreement.  
Tom Gray provided a proposal for developing cost allocations for the project. Rob Watson and Michael Nisenboym will work on the details.
- Discuss final Agreement.  
All agreed on a target completion date of April to allow adoption by all agencies in May.

Mr. Durkin explained that at the request of one of the SJWD directors, Legal Counsel reviewed the FO40 MOU. Although Legal Counsel had no significant changes, a typo (year 2010 used instead of 2011) was corrected, a clarifying statement on the temporary cost allocation section was added, and Recital 1 that states the Agencies desire to enter into this MOU and to negotiate an agreement for the repair, rehabilitation and utilization of the FO40 in lieu of SJWD carrying out the work and allocating the costs under

the respective wholesale water supply agreements was added. The Board discussed the MOU and suggested the word “negotiate” be replaced with “enter into” under Recital 1, last sentence, and add to Understanding 6, “If this MOU expires without an agreement being reached, the terms and conditions of the wholesale water supply agreements shall apply.”

Director Miller expressed his opinion that the District should not enter into a MOU since the water supply agreement already gives SJWD the ability to maintain the facility and bill the wholesale customer agencies for the repair and rehabilitation of such. President Costa expressed his concern that the MOU was lacking complete agreement, with 17% of the allocation being disputed and therefore does not constitute an understanding which the MOU is created to accomplish.

***Director Peterson moved to approve the Memorandum of Understanding between Fair Oaks Water District, Orange Vale Water Company and San Juan Water District for the FO 40 Pipeline Rehabilitation Project. Director Tobin seconded the motion and it carried with 3 Aye votes and 2 No votes (Miller and Costa).***

Director Peterson reported that under Other Engineering Matters, Mr. Gray expressed concern regarding the progress of the Wholesale Meter Replacement Cost re-allocations. At the committee meeting, Mr. Durkin reminded Mr. Gray that the cost allocation recommendations are being completed by Mr. Churchill, and Mr. Durkin will contact Mr. Churchill to discuss the status.

*For information only; no action requested.*

**4. Finance Committee (3/8/11)**

Director Peterson reported that the committee met on March 8, 2011 and discussed the following:

- Review and Pay Bills
- Review Reserve Accounts
- OPEB Trust Option Review
- Annual Audit
- Wholesale Budget Progress
- Increase Impact Handout from Executive Committee Meeting
- FY 2011-2012 Chemical Bids
- Time & Material Construction Contract
- Customer Concern with Online Payments
- Committee Structure

The committee meeting minutes will be attached to the original board minutes.

### **Review and Pay Bills**

The committee reviewed bills and claims in the amount of \$1,350,731.30 and found them to be in order.

***Director Miller moved to approve Resolution 11-05. President Costa seconded the motion and it carried unanimously.***

### **Review Reserve Accounts**

Ms. Morris reviewed the wholesale and retail Reserve Accounts in detail with the committee.

*For information only; no action requested.*

### **OPEB Trust Option Review**

Ms. Morris informed the committee that staff is evaluating options for an OPEB trust fund.

*For information only; no action requested.*

### **Annual Audit**

Ms. Morris informed the committee that the Government Finance Officers Association (GFOA) recommends keeping the same auditor for at least 5 years. The District has utilized Marcia Fritz for 4 years. Therefore, staff recommended extension of the existing audit contract for another year.

***Vice President Tobin moved to approve a one-year extension to the existing audit contract with Marcia Fritz & Company. Director Walters seconded the motion and it carried unanimously.***

Director Peterson reported that the committee discussed the CalPERS policy which states the auditors will confirm that salaries are reported to CalPERS consistent with the policy. Ms. Morris will research this item and report back at a future meeting.

*For information only; no action requested.*

### **Wholesale Budget Progress**

Ms. Morris informed the committee that staff is working on keeping any rate increase as low as possible and will provide the committee more information on this item as the draft budget becomes available.

*For information only; no action requested.*

### **Increase Impact Handout from Executive Committee Meeting**

Ms. Morris provided an analysis of how much impact rate increases make on retail water rates. She also provided the 2011 Wholesale Water Rate Comparison and Analysis Five-Year Trends that shows the rate increases over the previous years for each element of the wholesale rates. The

planned overall revenue requirement showed a proposed increase for the 2005-10 period of 52%, but was actually 37%. Since actual 2011 water use is not yet known, the actual increase for the 2006-11 period is not available.

*For information only; no action requested.*

#### **FY 2011-2012 Chemical Bids**

The FY 2011-2012 chemical contracts are out to bid with an April return deadline and for approval at the May meeting.

*For information only; no action requested.*

#### **Time & Material Construction Contract**

Ms. Morris informed the committee that the District received 7 bids for the Time & Material Construction Contract. This contract is for work to be completed on various small projects which District staff is unable to perform. Staff recommends approval of low bid.

***Director Walters moved to approve a time and material construction contract with Rawles Engineering for \$75,470, with a not-to-exceed project amount of \$83,017 for one year with a one-year renewal option. Director Peterson seconded the motion and it carried unanimously.***

#### **Customer Concern with Online Payments**

Director Peterson reported that Mr. Rick Dwyer, a customer, attended the meeting to voice his concerns with the online payment system. Mr. Dwyer complimented staff on their assistance with his homeowners association on irrigation improvements. He recommended the district consider:

- Adding instructions to the online payment section to include all zeros
- Add a notice that it could be 1-6 days for the bank to approve the payment information

The committee directed staff to continue to work with Mr. Dwyer. Ms. Lorance commended Ms. Johnson for her assistance with this customer and informed the Board that an email was received from the customer thanking the District for the excellent customer service.

*For information only; no action requested.*

#### **Other Finance Matters**

##### *Committee Structure*

The committee discussed the committee structure and decided that Ms. Morris is the support staff for the committee, Ms. Hart is the secretary and Ms. Lorance should attend as ex-officio member of the committee. In addition, other staff may attend the meeting for support when needed.

Credit Card Fees

Ms. Lorance informed the committee that the current District policy for payment of credit card fees directs the District to cover the fee and not the person utilizing the credit card. She mentioned that staff has suggested possibly changing this so that the credit card user absorbs the fee. Currently, the District covers approximately \$30,000 per year in fees.

President Costa requested that staff research if the bank that the District uses would waive the fees and then bring back to the committee with a staff recommendation.

For information only; no action requested.

**V. INFORMATION AND ACTION ITEMS**

**1. GENERAL MANAGER'S REPORT**

**1.1 Report Back Items**

There were no items discussed.

**1.2 Miscellaneous District Issues and Correspondence**

Ms. Lorance informed the Board that she received a comment from a customer to register a complaint regarding the rate increase that was effective January 1, 2011. In addition, a comment from a customer was received complimenting the excellent customer service that they received from Jerry Spencer.

Ms. Lorance informed the Board that a request was received from Scotts Valley Water District to consider support of Mr. David Hodgins to ACWA/JPIA Executive Committee. Ms. Lorance reminded the Board that a concurring resolution of support for Joe Dion was approved by the Board at a previous meeting for this same position.

Ms. Lorance informed the Board that she received a phone call from Sandy Denn, Glenn-Colusa Irrigation District, who informed the District that she will be running for ACWA Vice President, and will be available at the ACWA Spring Conference to answer any questions.

**2. ASSISTANT GENERAL MANAGER'S REPORT**

**2.1 Treated Water and Cooperative Transmission Bypass Pipeline Project**

Mr. Durkin conducted a presentation on the construction progress of the Treated Water and Cooperative Transmission Bypass Pipeline Project. A copy of the presentation will be attached to the meeting minutes.

For information only; no action requested.

**2.2 Report Back Items**

There were no items discussed.

### **2.3 Miscellaneous District Issues and Correspondence**

Director Peterson inquired if the source of the leak near Hinkle Reservoir was ever located. Mr. Durkin informed the Board that staff is collecting samples and monitoring the water every month, and periodically, chlorine is found in the samples indicating the water isn't just groundwater. Repairs to the filter basins should help to reduce the leaks. Director Peterson suggested that GEI be contacted to investigate while the deep trenches are open during the Treated Water and Cooperative Transmission Bypass Pipeline Project.

## **3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT**

### **3.1. Report Back Items**

Ms. Morris informed the Board that she is working with the Placer County Treasurer/Tax Collector to schedule a presentation on pooled-money accounts.

*For information only; no action requested.*

### **3.2. Miscellaneous District Issues and Correspondence**

There were no other items discussed.

## **4. LEGAL COUNSEL'S REPORT**

Legal Counsel provided a written legal report which will be attached to the original meeting minutes. Mr. Horowitz mentioned that there are several legislative bills being introduced which could add additional requirements to District compliance. Ms. Lorange commented that many of the bills are fee bills for fees upstream of the Delta.

## **5. DIRECTORS' REPORTS**

### **5.1 SGA**

No report.

### **5.2 RWA**

Vice President Tobin reported that RWA meets on March 10, 2011.

### **5.3 Executive Committee**

Mr. Durkin reported that the Executive Committee met on February 22<sup>nd</sup>. The committee discussed the following:

- Schedule for SJWD Wholesale Cost Allocations Discussions
- Overview General Wholesale Water Rates
- Overview of Rate Increases
- Annual Workshop Facilitation and Agenda
- Standing Items
- Agency Updates

The annual Workshop originally scheduled for March 7<sup>th</sup> was postponed due to a scheduling conflict with the meeting facilitator. The committee meeting minutes will be attached to the original board minutes.

**5.4 ACWA/JPIA**

Director Miller announced that the ACWA JPIA open house will be held on March 29<sup>th</sup> from 3:30-6:30pm.

**5.5 CVP Water Users Association**

No report.

**5.6 LAFCO**

President Costa reported that they will meet on March 15th.

**5.7 Other Reports and Comments**

President Costa reported that Sacramento Suburban Water District will be holding an Ethics Training on March 18<sup>th</sup>.

**VI. UPCOMING EVENTS**

1. Water Education Foundation Executive Briefing  
March 24-25, 2011  
Sacramento, CA
2. CA-NV AWWA 2011 Spring Conference  
March 28-31, 2011  
Long Beach, CA
3. Metro Chamber Cap to Cap  
May 7-11, 2011  
Washington DC
4. ACWA Spring Conference  
May 11-13, 2011  
Sacramento, CA

President Costa called for Closed Session at 8:53 pm.

**VII. CLOSED SESSION**

Conference with legal counsel--anticipated litigation; Government Code sections 54954.5(c) and 54956.9(b); significant exposure to litigation involving construction contract claims of Preston Pipelines, Inc. related to WTP Pipeline Improvements Project.

**VIII. OPEN SESSION**

1. Report from Closed Session  
There was no report from Closed Session.

**IX. ADJOURN**

**The meeting was adjourned at 9:02 p.m.**

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EDWARD J. "TED" COSTA, President  
Board of Directors  
San Juan Water District

ATTEST:

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TERI HART, Board Secretary

**Joint Engineering Committee Meeting Minutes  
San Juan Water District  
March 3, 2011  
2:00 p.m.**

**SJWD Attendees:** Dave Peterson, Chair  
Pam Tobin, Director  
Keith Durkin, Assistant General Manager  
Rob Watson, Engineering Services Manager  
Teri Hart, Administrative Assistant/Board Secretary

**FOWD Attendees:** Randy Marx, Director  
Tom Gray, General Manager  
Michael Nisenboym

**OVWC Attendees:** Sharon Wilcox, General Manager  
John Wingerter

**Public Attendees:** Ted Costa

**Topics:** FO 40 Pipeline Rehabilitation Project  
Other Engineering Matters  
Public Comment

**1. FO 40 Pipeline Rehabilitation Project**

Mr. Durkin suggested to the attendees that this agenda item include the following discussion topics:

- Re-confirm project definition (scope, schedule, and budget).
- Review draft MOU. Confirm each Agency can provide approval at March Board Meetings.
- Discuss project costs to date.
- Discuss project cost allocation methodology for final Agreement.
- Discuss final Agreement.

Mr. Durkin reviewed the October 18, 2010 staff report which defined the scope of the project. In addition he provided an updated schedule and costs for the phased project approach agreed to by each Agency. The costs for each phase of the project were previously identified to provide the rough cash flow requirement for each Agency's budgeting purposes. A copy of the staff report and schedule will be attached to the meeting minutes. Mr. Durkin explained that the entire project would be designed and bid, and then deduct the phases, if any, not wanted to be completed at that time. This will allow the agencies to take advantage of potentially lower than expected construction bids, or phase the work as appropriate. The attendees agreed that the scope, schedule and budget were correct.

Mr. Durkin reviewed the draft MOU. He explained that the MOU was circulated for comments and those comments were incorporated into the MOU. The MOU describes the project and acknowledges that the cost share for the project has not been identified and will be determined as part of the final agreement, but allows for some project cost recovery from the Agencies by SJWD-W. Mr. Gray expressed concern on signing the MOU. He did not want the cost allocations to become "etched in stone" and he thought having an MOU in place might discourage expediting completion of a final agreement. Director Marx suggested the allocations be revised and an expiration date be added to the MOU to make it acceptable. After discussion of the MOU, it was agreed that the MOU be changed to reflect preliminary cost allocations as follows:

FOWD – 70%  
SJWD – 10%  
OVWC – 3%

The remaining 17% will be held by SJWD Wholesale until the final agreement is signed. In addition, an expiration date of approximately May 31, 2011 will be added to the MOU in order to make sure that the final agreement is completed as quickly as possible. Director Peterson suggested that the agencies sign the MOU with the expiration date and understanding that the target is to finalize the agreement in April in order to have it approved and signed in May prior to the MOU expiration date. Mr. Durkin will finalize the MOU and send out to the agencies for approval at their next Board meeting. A copy of the revised MOU will be attached to the meeting minutes.

Mr. Durkin reviewed all the costs to date which totaled \$645,159.67. Mr. Gray stated he appreciated the detailed breakdown of costs which thoroughly explained the expenses. Mr. Durkin asked if the agencies had any questions or concerns with the costs so they could be discussed at the meeting in order to avoid any questions after invoices are issued for the project. There were no questions. A copy of the detailed cost summary will be attached to the meeting minutes.

Mr. Gray provided a proposal for cost allocations at the meeting. A copy of the proposal will be attached to the meeting minutes. The project cost allocations were discussed. Director Marx would like the criteria for data to be defined with regard to cost allocations. Several attendees questioned the position statements (page 1) provided by Mr. Gray. After review, the consensus was that sections A and B should be removed because they do not accurately convey discussions between SJWD and FOWD or the proposed approached to date. SJWD has advocated basing cost allocations on metered data collected from the new wholesale meters that have been in operation since June 2009 since this data is considered complete and accurate. This was also the direction received from all the agencies when the FO40 project was put on hold pending installation of the new meters. This cost allocation method is consistent with that used for the CTP Agreement and wholesale metering project. Mr. Durkin agreed that the FOWD proposal should be reviewed by staff and

other agencies to see if it provides an appropriate and acceptable cost allocation methodology.

Mr. Durkin prepared a summary memo describing the cost allocation methodologies proposed prior to the meeting. The memo was available at the meeting and will be attached to the meeting minutes.

Mr. Gray commented that the FOWD propeller meters read considerably different from the SJWD meters. Mr. Durkin commented that SJWD has complete confidence in the new SJWD mag-meters. They have met strict performance and calibration standards and are recognized as the best meter for the application. Mr. Durkin stated that Mr. Watson will provide whatever meter information Mr. Nisenboym may need to compare meter performance.

Mr. Nisenboym will meet with Mr. Watson to review the FOWD proposal and complete the cost allocation analysis tables. The agencies will discuss the cost allocations after reviewing this analysis.

**Action Items:**

All Agencies Action Item: Consideration of a motion to approve the Memorandum of Understanding between Fair Oaks Water District, Orange Vale Water Company and San Juan Water District for the FO 40 Pipeline Rehabilitation Project.

Mr. Watson & Mr. Nisenboym: Will meet to review the FOWD proposal and complete the proposed cost allocation analysis.

Mr. Watson: Will provide meter information to Mr. Nisenboym as he may request.

**2. Other Engineering Matters**

Mr. Gray expressed concern regarding the Wholesale Meter Replacement Cost Allocations and the progress on finalizing the re-allocation of costs. Mr. Durkin explained that San Juan has also been waiting for this re-allocation to occur as well. Mr. Bob Churchill, CHWD General Manager, is leading this effort. Mr. Durkin will contact Mr. Churchill to discuss.

**3. Public Comment**

There was no public comment.

The meeting was adjourned at 4:22 p.m.

# STAFF REPORT

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To: Engineering Committee

From: Keith Durkin  
Assistant General Manager

Date: October 18, 2010

Subject: Fair Oaks 40-inch Rehabilitation Project – Phase 1 Investigation

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## Background

The consultant has completed the Final Report for the Fair Oaks 40-inch Rehabilitation Project – Phase 1 Investigation. Copies of the report were provided to the Fair Oaks Water District and Orange Vale Water Company on September 23, 2010. The final report incorporates comments received from the agencies at, and subsequent to the workshop held on July 13, 2010. The final report also provides additional evaluation of the pipe crossing alternatives at the American River Canyon (ARC), refinements to the cost estimates for several alternatives, and additional present worth analysis of Alternatives 7 and 9.

The transmittal of the final reports to the wholesale customer agencies included a memorandum that discussed an alternative approach for implementing rehabilitation of the Fair Oaks 40-inch (FO40) Pipeline. This alternative, developed by San Juan Water District engineering staff, suggests implementing much of the consultant's recommended alternative, but defers a portion of the interior pipeline rehabilitation to reduce the initial capital cost of the rehabilitation project.

The final report, SJWD engineering staff's alternative, and the draft agreement for capital and operations and maintenance cost sharing will be the topics for an upcoming meeting with the agencies.

## Final Report Recommended Plan

The recommended plan outlined in the final report is essentially the same as that provided in the draft report:

- Install an impressed current cathodic protection system to halt the progress of corrosion on the exterior of the pipeline due to the condition of the pipe coating, soil conditions, and pinhole corrosion activity.
- Construct additional isolation line valves, air valves, and blow-offs along the pipeline to facilitate maintenance and make the pipeline fully operational.

- Replace the existing ARC crossing with a new, self-supporting pipeline span that meets modern design standards.
- Repair internal corroded areas of pipeline and damaged areas of mortar lining.
- Weld the joints of the entire pipeline to eliminate the largest source of leakage and potential infiltration. In addition to the joint welding, selected segments of the pipeline may be replaced to mitigate pipe earth cover and access limitations. Additional major rehabilitation would be delayed until necessary in the future, projected to be in about the year 2060.

The recommended project has an estimated total cost of \$3,572,000. The itemized project costs are summarized in the table at the end of the report's Executive Summary, copy attached. The plan contemplates that construction and rehabilitation work will be scheduled over a period of the two winter construction seasons of 2011/2012 and 2012/2013, the months in which the pipeline can be shut down.

The recommended plan includes optional replacements of selected segments of the pipeline to mitigate pipe earth cover and access limitations. SJWD staff does not recommend moving forward with these replacements at this time.

### **SJWD Engineering Staff Project Alternative**

Based on our review of the report, participation in the field investigations and surveys, the assessment of the potential for unacceptable pipeline leakage or failure and financing and cost considerations, SJWD staff identified a modified, phased approach to implementation of the FO40 pipeline rehabilitation that could defer some of the initial project capital cost, as follows:

- Install an impressed current cathodic protection system to halt the progress of corrosion on the exterior of the pipeline. Complete design of this work during FY10-11 and construction during FY11-12.
- Replace the existing ARC crossing with a new, self-supporting pipeline span that meets modern design standards. Complete CEQA review and design during FY10-11. Construct the new crossing during winter months of FY11-12.
- Construct additional isolation line valves, air valves and blow-offs along the pipeline to facilitate maintenance and make the pipeline fully operational. Design and construction will run concurrent with, and be accomplished as part of, the contract for the ARC crossing.

- Identify the joints along the pipeline that pose the greatest risk to water supply reliability and public or private property in the event of a failure or major leak. Identify pipeline joints that have significant spalling and cracking of the mortar lining and corrosion that should be addressed. Staff has estimated that up to fifteen-percent, or about 56 joints of the total 376 pipeline joints may fall into this category. Complete the welding and repair of these joints during FY11-12.
- Identify the pipe internal surfaces with spalling, cracking, and corrosion. Repair these areas of pipe and mortar lining concurrent with the joint repairs identified above during FY11-12.
- Institute a maintenance program that includes an internal inspection of the FO40 every three to five years to monitor the pipeline joints for accelerating deterioration. Weld the remaining joints and complete other necessary internal pipeline repairs and rehabilitation while the pipe remains in satisfactory condition to extend its life a minimum additional fifty years.

For comparison purposes, SJWD engineering staff prepared a cost estimate for this alternative plan using the itemized cost information developed in the final report. The cost estimate, which is summarized below, indicates that approximately \$879,000 of the total \$3.6M project cost may be deferred. However, there will be additional operation and maintenance costs associated with continued leak repairs and conducting a regular monitoring and inspection.

**SJWD STAFF ALTERNATIVE  
 PRELIMINARY ESTIMATE OF INITIAL PROJECT COST**

Item	Description	Estimated Costs, \$	Project Totals, \$
<b>Rehabilitation, Corrosion Protection, ARC Crossing:</b>			
1	Impressed current corrosion protection system	236,000	
<b>ARC Crossing, Pipeline Appurtenances</b>			
2	Replacement of ARC crossing	603,000	
3	Line valves, blowoffs, air valves, removal of line valve at Station 110+91	537,000	
<b>Joint Rehabilitation, Internal Pipeline Repairs</b>			
4	Joint welding rehabilitation	87,000	
5	Joint test welding	3,000	
6	Repair of internal corroded areas of pipeline	42,000	
7	Repair of internal corroded areas of pipe connections	28,000	
8	<b>Subtotal</b>	<b>1,536,000</b>	

9	Undefined items, 20%	307,000	
10	<b>Subtotal (Preliminary estimate of probable bid price</b>	<b>1,843,000</b>	
11	Engineering, construction, environmental, District administration services, changes during construction, project contingency 45%	830,000	
12	Easements	20,000	
13	<b>Project Total</b>		<b>2,693,000</b>

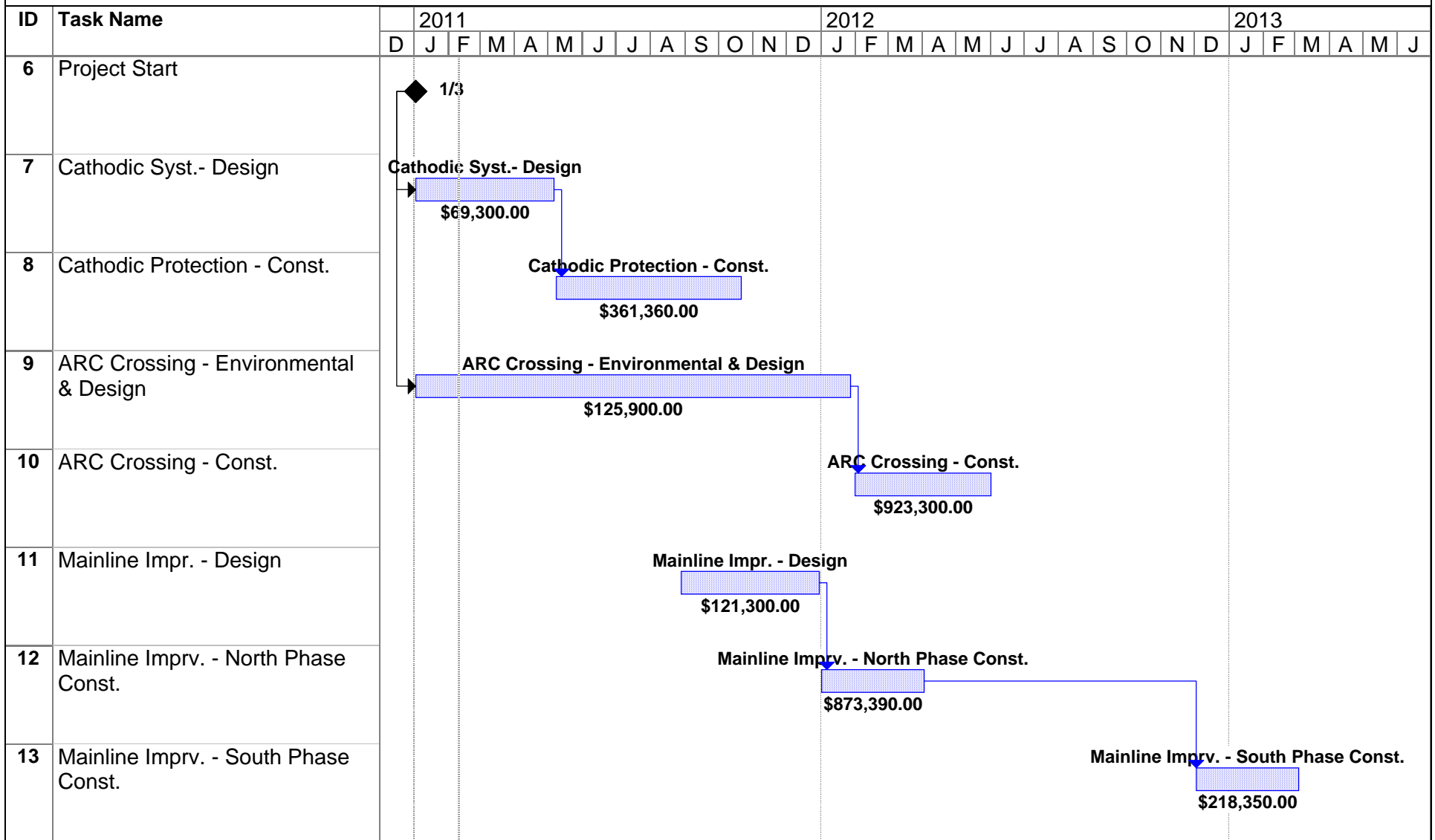
### **Staff Recommendation**

Both the consultant’s recommended plan and SJWD engineering staff’s suggested phased approach provides for the repair, rehabilitation, and protection of the FO40 pipeline to obtain a minimum additional 50-years of service life. The phased approach minimizes the initial capital cost for the project, but ongoing O&M costs will be higher by an unidentified amount, and may increase into the future until complete pipeline rehabilitation is accomplished.

Based on a project cost allocation according to pipeline usage, Fair Oaks Water District will be responsible for the majority of the cost of the repair and rehabilitation project. A draft agreement for the ownership, utilization, operation and maintenance of the Fair Oaks 40-Inch Pipeline also requires ongoing O&M to be paid by each agency proportionate to pipeline use. Therefore Fair Oaks Water District will also be responsible for the majority of the O&M costs for the pipeline. However, the phased approach would still likely result in the lowest impact to Fair Oaks Water District customer rates.

Fair Oaks Water District has, at least preliminarily, expressed a preference for the phased approach to minimize the initial capital cost and potential rate impacts. Given the considerations listed above, and the preference of the Fair Oaks Water District, staff recommends that the phased approach described above be implemented for the Fair Oaks 40-inch Rehabilitation Project.

# Fair Oaks 40" Pipeline Project Estimated Schedule and Costs - Phased Approach San Juan Water District



Project: FO40 Project and Cost Sch_F Date: Thu 2/10/11	Task		Rolled Up Task		External Tasks	
	Progress		Rolled Up Milestone		Project Summary	
	Milestone		Rolled Up Progress		Group By Summary	
	Summary		Split		Deadline	

# **MEMORANDUM OF UNDERSTANDING REGARDING THE FAIR OAKS 40-INCH PIPELINE REHABILITATION PROJECT**

This memorandum of understanding (hereinafter "MOU") is entered into on \_\_\_\_\_, 2011, by and between the Fair Oaks Water District (hereinafter "FOWD"), the Orange Vale Water Company (hereinafter "OVWC"), and San Juan Water District (hereinafter "SJWD"), collectively referred to as the "Agencies". The purpose of this MOU is to document the understanding and agreement of the Agencies regarding planning, engineering, environmental compliance, permitting, and construction for the repair and rehabilitation of the existing Fair Oaks 40-inch diameter pipeline (FO40) while a formal agreement for the project is developed by the Agencies.

## **RECITALS**

1. Engineering studies have been completed to investigate the internal and external condition of the FO40. The investigations and evaluations identified that the existing FO40 needs repair and rehabilitation to extend the life expectancy of the pipeline. All work associated with this repair and rehabilitation, including previous and ongoing investigations and planning, engineering, environmental compliance, permitting, construction, and construction management is referred to as the "Project".

2. The Agencies agree the Project should be completed in order to continue providing water deliveries to the Agencies through the pipeline. The Agencies agree that the Project is generally described as follows:

- Replacing the existing piping crossing the American River Canyon (ARC) with a new, self-supporting pipeline span that meets modern design standards. This work includes completing CEQA review and design during early 2010 to allow construction of the new crossing during winter months of 2011-2012.
- Constructing additional isolation line valves, air valves, and blow-offs along the pipeline to facilitate maintenance and make the pipeline fully operational. Design and construction will run concurrent with, and be accomplished as part of the contract for the ARC Crossing.
- Installing an impressed current cathodic protection system to halt the progress of corrosion on the exterior of the pipeline. It is anticipated this work will be completed during 2012.
- Identifying the joints along the pipeline that pose the greatest risk to water supply reliability and public or private property in the event of a failure or major leak. This work includes identifying pipeline joints that have significant spalling or cracking of the mortar lining and corrosion that should be immediately addressed. The welding and repair of these joints is scheduled for 2012.

- Identifying the internal surfaces of the pipeline exhibiting spalling, cracking, and corrosion. Repair these areas of pipe and mortar lining concurrent with the joint repairs identified above during 2012.
- Instituting a maintenance program that includes an internal inspection of the FO40 every three to five years to monitor the pipeline joints not previously repaired for accelerating deterioration. Welding the remaining joints and completing other necessary internal pipeline repairs and rehabilitation will be accomplished while the pipe remains in satisfactory condition to extend its life a minimum of fifty additional years.

3. At the request of the Agencies, San Juan Water District Wholesale (SJWD-W) is developing an Agreement for Ownership, Utilization, Operation and Maintenance of the FO 40-inch Diameter Pipeline (hereinafter "Agreement"). The Agreement will confirm SJWD's ownership of the pipeline and allocate pipeline capacity and costs for operation, maintenance, capital replacements and repairs of the pipeline, including costs of this Project. Finalizing the Agreement with the Agencies may take several months to complete.

4. As a service to the Agencies, SJWD-W has paid expenses necessary for, and directed the work required to complete preliminary investigations, initial planning, and engineering work to determine the recommended Project. As the owner of the pipeline, SJWD-W will continue to manage and direct implementation of the Project. In accordance with the Wholesale Water Supply Agreements, the Agencies are required to reimburse SJWD-W for expenses on the Project.

5. The Agencies agree there is a need for urgency moving forward with the Project. This MOU provides written understanding between the Agencies on the scope of the Project and a basis for initial cost sharing prior to finalizing and executing the Agreement.

## UNDERSTANDING

1. **Incorporation of recitals.** The foregoing recitals are incorporated herein by reference.

2. **Lead Agency.** SJWD will continue to be the lead Agency for the Project.

3. **Scope of MOU.** The Agencies agree this MOU covers Project work completed prior to the date of this MOU through execution of the Agreement, or expiration of the MOU, and/or termination of this MOU as provided below.

4. **Cost Sharing.** The Agencies acknowledge that each Agency's cost share has not been identified and will be determined as part of the final Agreement. As such To allow SJWD-W to recover a portion of the project expenses while the final Agreement is developed, the Agencies agree to allocate a percentage of the total costs to date and through the term of this MOU as follows shown below: The cost allocations in the final Agreement will differ from this temporary allocation.

FOWD – ~~75~~70% of total costs

SJWD Retail – 10% of total costs

OVWC – 3% of total costs

SJWD-W will continue to hold 127-percent of the total Project costs until the final Agreement is executed at which time invoices will be sent to each Agency reconciling the amount paid by each Agency to the actual amount owed for the Project per the Agreement.

**5. Invoices and Payments.** SJWD-W will provide itemized invoices to the Agencies monthly. Should an Agency dispute any portion of any invoice, the Agency shall pay the undisputed portion and at the same time advise SJWD-W in writing of the disputed portion. The Agency and SJWD-W will work to resolve disputed amounts as quickly as possible. Non-payment of invoices will result in the following penalties and interest charges due to SJWD-W by an Agency that is delinquent as of 45 days after receipt of the invoice from SJWD-W, or 2 weeks after the first Board of Directors meeting following receipt of invoice, whichever is later: (1) a 10% penalty; and (2) 1% per month in interest on the delinquent amount until paid in full. Disputed portions of invoices will not be subject to penalties or interest.

**6. Term of MOU.** This MOU will be effective as of the date written above and will remain in effect until the execution of an Agreement for Ownership, Utilization, Operation and Maintenance of the Fair Oaks 40-Inch Diameter Pipeline, or until June 13, 2011 whichever comes first. This MOU may also be terminated by an Agency upon 30 days written notice to the other Agencies.

**7. Amendment.** The terms of this MOU may be modified or amended only by written amendment approved and executed by all the Agencies.

**8. Counterparts.** This MOU may be executed in counterparts.

SAN JUAN WATER DISTRICT

By: \_\_\_\_\_

Edward J. "Ted" Costa  
President, Board of Directors

Attest: \_\_\_\_\_

Teri Hart  
Secretary of the Board

FAIR OAKS WATER DISTRICT

By: \_\_\_\_\_  
Randy Marx  
President, Board of Directors

Attest: \_\_\_\_\_  
Tom Gray  
Secretary of the Board

ORANGE VALE WATER COMPANY

By: \_\_\_\_\_  
Russell A. Castilone  
President, Board of Directors

Attest: \_\_\_\_\_  
Sharon L. Wilcox  
General Manager

DRAFT

## SJWD-W -- FO-40 TRANSMISSION MAIN REHABILITATION PROJECT

### SUMMARY OF SJWD LABOR SUPPORT ACTIVITIES DURING THE CONDITION ASSESSMENT PHASE

**COST SUMMARY:**

<b>FO-40 REHABILITATION PROJECT - EVALUATION PHASE COST SUMMARY</b>			Rev. 3/2/11
			(Based on 1/31/11 Accounting Data)
<b>CONSULTING ENGINEERING</b>			
Line	Description		Shared Cost
1	Consulting Services Contract (Robert Miles) - Internal & Externals Condition Assessment, Rehab Options Evaluation, and Pre-Design Report.		\$ 351,300.00
2	Amendment #1 (1/ 5/10) - Adder for ProPipe; provide new TV camera cable & transporter wheels, internal condition assessment task (to protect water quality).		\$ 14,881.00
3	Amendment #2 (Jan 11, 10) - Adder for Divers Surveying to perform supplemental surveying at ARC Crossing.		\$ 2,750.00
	Total Consulting Services Cost =		\$ 368,931.00
<b>MATERIALS/INSTALLATION &amp; CONDITION EVALUATION SUPPORT COSTS</b>			
Line	Description		Shared Cost
4	Permitting - Folsom & Sac County	Encroachment Permit	\$ 1,251.67
5	Equipment, Shoring & Safety	Shoring, Fencing, Equipment Rental	\$ 7,608.21
6	Materials from SJWD Field Ops Inventory	Pipe, Rock, Concrete, Cl2, etc.	\$ 2,596.09
7	Materials - Purchased (Pace, Jensen, etc.)	Piping, Manholes, Covers, etc.	\$ 61,543.33
8	Contractors & Services	Welding, Excavation, Pvm't, Labs, etc.	\$ 39,320.35
	Subtotal Materials, Installation, & Services =		\$ 112,319.65
<b>SJWD LABOR, ADMINISTRATION &amp; OH's</b>			
Line	Description	Non-Shared	Shared Cost
9	SJWD Labor (Direct)		\$ 163,909.02
10	SJWD General Admin & Overhead	\$ 38,818.29	
11	Other Misc. Expenses	\$ 257.80	
	Subtotal Materials, Installation, & Labor =	\$ 39,076.09	\$ 163,909.02
		Non-Shared	Shared Cost
<b>TOTAL ASSESSMENT, LABOR, MATERIALS &amp; COSTS =</b>		<b>\$ 39,076.09</b>	<b>\$ 645,159.67</b>

Work completed by San Juan Water District staff to support the condition assessment included:

1. Planning, Coordination and Management:
  - a. Preparation of the internal pipeline Inspection Plan.
  - b. Management of inspection activities.
  - c. Shutdown sequencing/schedule and coordination.
  - d. External coordination meetings with Member-Agencies.
  - e. System operational evaluations during the inspection operations.
  - f. Coordination with local emergency response agencies (Sac Metro Fire & Folsom Fire)

- g. As-built reviews for easements, plan & profile, access, AVRV's and BOV's.
  - h. Obtaining and complying with Sacramento County and City of Folsom Encroachment Permits.
  - i. Management, review and coordination for the preparation of the assessment report.
2. Installation of Four New Access Manways and Three New AVRV's:
- a. SJWD Engineering staff prepared the design drawings for the new access manways.
  - b. Based on the internal Inspection Plan recommendations, SJWD staff installed 4 new access manways, and 3 new AVRV's. Installation required exposing the pipe, welding on new pre-fabricated steel risers, and installing new concrete manhole rings and lids. Installation of 3 new AVRV's was necessary to provide shutdown protection for draining and filling operations.
  - c. Two manways were installed under paved areas. Required added compaction and paving.
3. Modification of Three Existing Access Manways:
- a. Three existing manways and ARV's were modified to allow safe access into the pipe. (When the AVRV's were originally installed at these three locations, instead of cutting out the crown of the pipe the full diameter of the manway, the original contractor did not cut out the crown at all, or only cut a small 6" hole for venting through the AVRV. This resulted in no access at these locations without completion of the prior Contractor's work.)
  - b. One existing manway was improved at the ARC Crossing; required designing and installing new pipeline reinforcement to prevent failure of the pipeline during inspection.
4. Pipeline Shutdown and Isolation:
- a. SJWD staff conducted the shutdown and isolation of the pipeline in two major segments (north and south of the Greenback crossing).
  - b. Work included re-routing water services to maintain both retail and wholesale customer supply, dewatering, monitoring pipeline facilities during dewatering, dechlorination, erosion protection, and pipeline refilling activities.
5. Internal Inspection Support:
- a. Staff managed and provided support during the internal inspection of the pipeline.
  - b. Staff provided access and coordination with landowners for the inspection team.
  - c. Staff removed and replaced manhole and manway lids (unbolting FLG covers).
  - d. Staff provided traffic control
  - e. SJWD staff inspected the consultant's disinfection and bacteriological testing procedures for the camera and other personnel and equipment entering the pipeline.
  - f. SJWD staff monitored distribution system pressures and responded to any issues while the pipeline was down.
6. External Inspection Support:
- a. Staff supported the consultant during the external inspection of the pipeline.
  - b. Staff excavated pre-determined areas to expose the outside of the pipeline for non-destructive testing and inspection.
  - c. Support was also provided during the alignment and depth of cover surveying. These efforts involved extensive contact with customers to schedule access to property, supporting the hired licensed surveyor while they performed their work, providing supplemental surveying using SJWD's survey-grade GPS.
  - d. Staff researched easement records to ensure/verify the FO-40 is within existing easements.
  - e. Staff also prepared AutoCAD format plan and profile base drawings based on the survey data and other records.

## Fair Oaks 40-Inch Pipeline Project

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Joint Technical Committee Meeting Memo – March 3, 2011 - TRG

FOWD does not have a target number for demands or costs on this project; it is our desire to complete a fair and reasonable analysis, based on industry standards, and for the data to dictate the outcome. If the outcome indicates FOWD owes 95% of the total cost after a fair and reasonable analysis, FOWD will pay accordingly.

FOWD believes that the Compromise Solution for Cost Allocations that we presented today is fair and reasonable to all stakeholders. Included in our proposal are simple tables to be populated with real data. Given agreement on this approach, we should be able to reach agreement on a cost allocation formula within a week.

This is a sincere and honest attempt to move forward on this project without emotion or predetermined outcomes.

Thank You,  
FOWD Board and Staff

2011

Fair Oaks Water District

Tom Gray

# FAIR OAKS 40-INCH PIPELINE PROJECT

FOWD does not have a target number for demands or costs on this project; it is our desire to complete a fair and reasonable analysis based on industry standards and for the data to dictate the outcome.

# Fair Oaks 40-Inch Pipeline Project

Joint Technical Committee Meeting Memo – March 3, 2011 - TRG

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## Discussion One:

A. In general these are the positions of the participating agencies on cost allocations for the project.

- a. SJWD – Dismiss all historical demand data, reports, master plans, and investment in other water supply (including the CTP) as irrelevant to the cost allocation analysis. Only use maximum-day meter reads based on two years measured meter reads from July 2009 and July 2010; dismissing average day-demand, peak-hour demand and required emergency demand as irrelevant to the cost allocation analysis.
- b. FOWD – Use the 2009 demand estimate numbers provided by SJWD for the design and construction of the Wholesale Meter Project and factor in considerations for changed conditions, CTP investment, future growth and any other factors that provide benefit.
- c. OVWC – No stated position; would like a reasonable and fair cost distribution.

B. In general, the following has been the SJWD response to FOWD's position on cost allocations.

- a. It would not be practical to use estimated demands when we have actual meter reads for demands; even if the data only represents two years of data. The other factors FOWD wants included in the analysis are not relevant.

## C. **Compromise Solution for Cost Allocations**

- a. Use a matrix analysis that factors in all the industry accepted components of water supply: Average-Day Demand, Maximum-Day Demand, Peak-Hour Demand, and Emergency Demand Requirement.
- b. Use actual 2010 whole year meter reads as the demand basis for the analysis.
- c. This compromise solution uses actual meter reads, but also recognizes the fact that maximum-day demand is not the only demand factor important to the analysis, and weighs each demand factor based on importance to the individual agency.

# Fair Oaks 40-Inch Pipeline Project

Joint Technical Committee Meeting Memo – March 3, 2011 - TRG

Table A Fair Oaks 40-Inch Pipeline Project Cost Allocation Analysis March 2011				
Factor	Relative Importance	Agency		
		FOWD	SJWD Retail	OVWC
Avg-Day Supply	30			
Max-Day Supply	25			
Peak-Hour Supply	20			
Emergency Supply	25			
Total	100			

Table B Fair Oaks 40-Inch Pipeline Project Demand Analysis March 2011			
Factor	FOWD	Agency	
		SJWD Retail	OVWC
Avg-Day Supply			
Max-Day Supply			
Peak-Hour Supply			
Emergency Supply			
Notes: Average Day Supply = Average daily demand from 2010 meters reads Maximum Day Supply = The largest daily demand from 2010 meter reads Peak Hour Supply = Average daily demand multiplied by a 1.7 peaking factor Emergency Supply = Required fire flow demand			

## Fair Oaks 40-Inch Pipeline Project

Joint Technical Committee Meeting Memo – March 3, 2011 - TRG

Table C  
 Fair Oaks 40-Inch Pipeline Project  
 Dependency Analysis  
 (Percentage of each demand type coming from FO-40)  
 March 2011

Factor	Agency		
	FOWD	SJWD Retail	OVWC
Avg-Day Supply	0 - 100	100	100
Max-Day Supply	0 - 100	100	?
Peak-Hour Supply	0	100	?
Emergency Supply	0	100	?

Table D  
 Fair Oaks 40-Inch Pipeline Project  
 Required Fire-Flow Analysis  
 March 2011

Agency	Building Type	Fire Flow
FOWD	Residential	1500
SJWD-R	Commercial	3000
OVWC	Residential	1500

# Fair Oaks 40-Inch Pipeline Project

Joint Technical Committee Meeting Memo – March 3, 2011 - TRG

## Discussion Two:

### I. Relative to Demand Requirements

- a. SJWD and OVWC need Fire Flow from the FO-40 pipeline; FOWD does not need Fire Flow from the FO-40 pipeline
- b. The areas served from the FO-40 by SJWD-R and OVWC do not have local storage or “other” water supply sufficient to meet Fire Flow requirements
- c. In order to provide water service in accordance with water supply permit requirements, SJWD-R and OVWC must obtain Fire Flow from the FO-40 pipeline.
- d. It does not matter if it is used one day a year or even once every 5-years, SJWD-R and OVWC (under normal operations) must have Fire Flow on stand-by from the FO-40 pipeline.
- e. As an alternative operational plan to provide fire flow: SJWD-R & OVWC could build local storage, drill wells, or bring in alternative water supply to meet Fire Flow Requirements
- f. FOWD Investment:
  - i. 1991 - \$2M for 3-MG storage tank & booster station
  - ii. 2000 - \$4M for alternative water supply from the CTP
  - iii. 2006 - \$3M for two new wells (rate payer investment minus grant \$)

### II. Wholesale v Retail Cost

- a. During the recent cost allocation analysis performed for the Wholesale Meter Project, SJWD argued that “All pipes required to keep an individual agency in water should be at wholesale cost”
- b. Given this logic, the entire FO-40 project would be at Wholesale cost
- c. This logic provides two alternatives for cost:
  - i. Alternative One – Make the pipelines in question on the Wholesale Meter Project at Wholesale cost AND make the entire FO-40 project at Wholesale cost (FOWD does not choose this alternative)
  - ii. Alternative Two – Do not make the pipelines in question on the Wholesale Meter Project at Wholesale cost AND keep the FO-40 project as benefiting agency pays (FOWD endorses this alternative)

# Fair Oaks 40-Inch Pipeline Project

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Joint Technical Committee Meeting Memo – March 3, 2011 - TRG

Meeting Notes:

# SAN JUAN WATER DISTRICT

9935 Auburn Folsom Road  
Granite Bay, California 95746  
(916) 791-0115

## MEMORANDUM

TO: Project File

FROM: Keith Durkin  
Assistant General Manager

DATE: March 1, 2011

RE: FO40 Cost Allocation Methodologies

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### Background

San Juan Water District has proposed allocating cost for the Fair Oaks 40-Inch Rehabilitation Project (FO40) using a demand or assigned capacity allocation approach similar to that used for the Cooperative Transmission Pipeline (CTP) agreement and recent Wholesale Metering Project. This approach in general is supported and advocated by the retail agencies. This approach is described as Method 1 below. Fair Oaks Water District has proposed alternative approaches, as described as Methods 2 and 3 below. This memorandum documents these cost allocation methodologies for discussion at the March 3, 2011 joint agency meeting with FOWD, OVWC, and SJWD.

### Method 1

Allocate cost based on the amount of capacity used by an Agency compared to total capacity required by all Agencies. This is consistent with strict beneficiary pays principles, previous practice on wholesale projects, expressed Agency preference, and SJWD Board policy. Determine capacity needs and related cost allocation based on:

1. Delivery requirements -
  - a. Option 1a: "Business as usual". Agency uses pipeline as it always has. System demands dictate deliveries. Demand/capacity requirement determined from historical meter data.
  - b. Option 1b: Agencies request deliveries through the FO40 pipeline and other transmission pipelines which may differ from historical use. Flow control device(s) may be necessary on one or more turn-outs on transmission system pipelines including FO40.

## **MEMORANDUM**

FO40 Cost Allocation Methodologies

March 1, 2011

Page 2 of 2

2. Use maximum day demand or delivery requirements as criteria for determining assigned capacity. This is consistent with typical design practice; i.e. pipelines are designed for maximum day demands, not average day or peak hour.
3. Use wholesale meter data obtained from the new mag-meters that became operational in June 2009. This meter data is considered complete and accurate by the agencies. Per the request of the agencies, the FO40 project was put on hold until the new meters could be installed to obtain reliable meter data.
4. Assume entire capacity of pipeline is allocated (sum of all Agencies is 100%). All service areas are nearly built out and any increases in demands will likely be proportional between all Agencies.

### **Method 2**

Consider the FO40 a SJWD wholesale facility and have the wholesale agency pay all costs. All agencies (SJWD, FOWD, CHWD, OVWC, and City of Folsom) would then pay a proportionate share through their wholesale water rates. This approach does not follow beneficiary pays principles and is not acceptable to the agencies.

### **Method 3**

Allocate costs based on evaluation criteria and importance factors that will vary on an Agency by Agency basis. This methodology could potentially consider "risk based" factors or other value or benefits an Agency may receive from the pipeline. Criteria may include consideration of items such as:

1. An Agency's dependence on the pipeline (backup sources of supply).
2. An Agency's ability to meet peak demands using other sources; e.g. FO40 would be used to supply less than maximum day demands. Flow control device(s) may be necessary on one or more turn-outs on transmission system pipelines including FO40.
3. A change in use for the pipeline by an Agency. An Agency may want to "turn-off" their connections and only use the pipeline for emergencies.
4. Other factors...

A sample analysis matrix dated February 2011 developed by Tom Gray with example criteria and importance factors is attached to this memo.

Table A  
 Fair Oaks 40-Inch Pipeline Project  
 Cost Allocation Analysis  
 February 2011

Factor	Relative Importance	Agency			
		FOWD	SJWD Retail	OVWC	SJWD Wholesale
Avg-Day Supply	30				0
Max-Day Supply	25				0
Peak-Hour Supply	20				0
Emergency Supply	20				5
Conjunctive Use	5				5 (100%)
<b>Total</b>	<b>100</b>				<b>10.0</b>

**Finance Committee Meeting Minutes  
San Juan Water District  
March 8, 2011  
4:00 p.m.**

**Committee Members:** Ted Costa, President (Chair)  
Dave Peterson, Director

**District Staff:** Shauna Lorance, General Manager  
Keith Durkin, Assistant General Manager  
Mary Morris, Finance and Administrative Services Manager  
Judy Johnson, Customer Service Manager  
Teri Hart, Administrative Assistant/Board Secretary

**Members of the Public:** Rick Dwyer

**Topics:** Review and Pay Bills  
Review Reserve Accounts  
OPEB Trust Option Review  
Annual Audit  
Wholesale Budget Progress  
Increase Impact Handout from Executive Committee Meeting  
FY 2011-2012 Chemical Bids  
Time & Material Construction Contract  
Customer Concern with Online Payments  
Other Finance Matters  
Committee Structure  
Public Comment

Ms. Lorance requested that agenda item 9 be moved to the beginning of the meeting as a courtesy to the public member in attendance. The meeting minutes will reflect the original agenda order.

**1. Review and Pay Bills**

The committee reviewed the presented bills and claims. In accordance with recommended practices, the committee specifically reviews any credit card charges and reimbursements for the General Manager, Assistant General Manager and Finance and Administrative Services Manager. The reviewed bills and claims were found to be in order.

*Staff update: the total amount of bills and claims provided for approval for February payables is \$992,739.45.*

*The Finance Committee recommends approval of Resolution 11-05.*

**2. Review Reserve Accounts**

Ms. Morris reviewed the Reserve Accounts in detail with the committee. A copy of the wholesale and retail reserve account summaries will be attached to the meeting minutes. Director Peterson requested that the CIP reserve, for both wholesale and retail, be broken down to show what funds are committed, what funds are needed for planned capital projects, and what, if any, is remaining. He also asked Ms. Morris to identify what funds are discretionary and able to be utilized by the Board of Directors.

President Costa requested that this item remain on the next meeting agenda for review.

*For information only; no action requested.*

**3. OPEB Trust Option Review**

Ms. Morris informed the committee that she is still working on the OPEB Trust options. President Costa requested that staff explore options outside of PERS. In addition, he requested that staff find out if PERS can put the District OPEB Trust in a pool without District approval or acknowledgement.

*For information only; no action requested.*

**4. Annual Audit**

Ms. Morris informed the committee that the Government Finance Officers Association recommends at least a five-year audit contract in order to establish continuity and minimize disruptions to staff. The current contract with the auditors is in its fourth year and staff recommends extending the contact for one additional year. A copy of the staff report will be attached to the meeting minutes.

The committee discussed the CalPERS policy which states the auditors will confirm that salaries are reported to CalPERS consistent with the policy. Ms. Morris will research this item and report back at a future meeting.

*The Finance Committee recommends a motion for staff to proceed with a one-year extension to existing audit contract with Marcia Fritz & Company.*

**5. Wholesale Budget Progress**

Ms. Morris informed the committee that she is working on keeping any rate increase as low as possible and will provide the committee more information on this item as the draft budget becomes available.

*For information only; no action requested.*

**6. Increase Impact Handout from Executive Committee Meeting**

Ms. Morris explained that she provided several handouts at the Executive Committee Meeting on Wholesale Water Rates and Increase Impacts. She pulled the 2009 water rate revenues and operating costs, where available, for the

Wholesale Customer Agencies to show how the SJWD Water Service Charge, excluding the Debt Service Charge, will impact the agencies if SJWD was to implement the 5% wholesale water rate increase as recommended in the Financial Plan. A copy of the 2011 Wholesale Water Rate Comparison and Analysis Increase Impact will be attached to the meeting minutes.

Ms. Morris explained that the wholesale water rate analysis was done from 2005 to 2011 and shows two separate five-year periods, 2005-10 and 2006-11. This was done in order to show the increase in the water rate and to look at the entire rate and not just a portion of the rate over a period of time. She explained that the Uniform Commodity Rate ("UCR") increased 60% for the 2005-10 period and slightly less at 53% for the 2006-11 period. However, the annual service charge increased 11% for the 2005-10 period but decreased 2% for the 2006-11 period since many costs are included in the UCR which reflects a water conservation approach to rates. In addition, the debt service increased significantly by 177% for the 2005-10 period and by 145% for the 2006-11 period as a result of the 2009 COPs and resulting capital projects.

The planned overall revenue requirement showed a proposed increase of 52% for the 2005-10 period and a 9% increase for the 2006-11 period. In comparison to the actual overall revenue requirement, the percentage for the 2005-10 period was 37% not 52% with 18% due to the debt service rate component for capital projects. Since actual 2011 water use is not yet known, the actual increase for the 2006-11 period is not available.

A copy of the 2011 Wholesale Water Rate Comparison and Analysis Five-Year Trends will be attached to the meeting minutes.

*For information only; no action requested.*

**7. FY 2011-2012 Chemical Bids**

Ms. Morris informed the committee that the FY 2011-2012 chemical contract will go out for bid with an April return deadline and for approval at the May meeting. Mr. Durkin commented that it looks like the cost of chemicals is going down but fuel charges are likely to increase the prices.

*For information only; no action requested.*

**8. Time & Material Construction Contract**

Ms. Morris informed the committee that the District received 7 bids for the Time & Material Construction Contract. This contract is for work to be completed on various small projects which District staff is unable to perform. A copy of the staff report will be attached to the meeting minutes.

The committee discussed the item and suggested that in the future staff explore options to go longer than a one-year extension.

Finance Committee recommends a motion to approve a time and material construction contract with Rawles Engineering for \$75,470, with a not-to-exceed project amount of \$83,017 for one year with a one-year renewal option.

## 9. Customer Concern with Online Payments

Ms. Lorance introduced Mr. Rick Dwyer, a ratepayer, who contacted the District and requested to be on the agenda regarding online payments. Mr. Dwyer addressed the committee and paid his compliments to the District for doing an excellent job working with his homeowner association's conservation committee with regard to helping reduce water usage and minimize costs. He informed the Finance Committee that he tried to utilize the District's online credit card payment system and had some issues with the system. He contacted the District and has been in communication with Judy Johnson. He suggested that the District include a disclaimer on the system to make it more user-friendly and a contact number for technical assistance. In addition, he commented that the system should be done in-house and not by a third party vendor in order to have control over the information that is inputted into the system.

Ms. Lorance informed the committee that the suggestions by Mr. Dwyer are excellent suggestions, and that Ms. Johnson is working on the proposed disclaimers which will be added to the online payment system. She commented that though staff would appreciate the benefit of managing on-line payments in-house, staff is trying to balance out costs and amount of staffing required. The 3<sup>rd</sup> party vendor is used in an effort to keep costs down for rate payers. President Costa thanked Mr. Dwyer for addressing his concerns to the committee and assured him that staff will work to make the system better for customers.

## 10. Other Finance Matters

### 10.1 Committee Structure

The committee discussed the committee structure and decided that Ms. Morris is the support staff for the committee, Ms. Hart is the secretary and Ms. Lorance should attend as ex-officio member of the committee. President Costa commented that Ms. Lorance should be an ex-officio member of every committee. In addition, other staff may attend the meeting for support when needed.

For information only; no action requested.

### 10.2 Credit Card Fees

Ms. Lorance informed the committee that the current District policy for payment of credit card fees directs the District to cover the fee and not the person utilizing the credit card. She mentioned that staff has suggested possibly changing this so that the credit card user absorbs the fee. Currently, the District covers approximately \$30,000 per year in fees.

President Costa requested that staff research if the bank that the District uses would waive the fees and then bring back to the committee with a staff recommendation.

*For information only; no action requested.*

**11. Public Comment**

There was no public comment.

The meeting was adjourned at 5:15 p.m.

**San Juan Water District**

**RESOLUTION 11-05  
PAYMENT OF BILLS AND CLAIMS**

WHEREAS, the Finance Committee of the Board of Directors has reviewed the bills and claims in the amount of \$992,739.45; and

WHEREAS, the Finance Committee of the Board of Directors has found the bills and claims to be in order.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Juan Water District as follows:

1. The bills and claims attached hereto totaling \$992,739.45 are hereby approved.
2. That the depository be and the same is hereby authorized to pay said bills and claims in the total sum of \$992,739.45 of the General Fund Account.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on the 9th day of March 2011, by the following vote:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSENT:	DIRECTORS:

\_\_\_\_\_  
EDWARD J. "TED" COSTA  
President, Board of Directors

\_\_\_\_\_  
TERI HART  
Secretary, Board of Directors

# SAN JUAN WATER DISTRICT

## Aged AP - Summary

Period: 08-11 As of: 3/9/2011

Vendor	Name	Balance
AIRGAS	AIRGAS INC	394.13
ALPHADES	GLENN WALKER	553.64
APPLIEDBES	Applied Best Practices	1,246.75
AT&TWIRELS	CINGULAR WIRELESS - ATLYS	943.12
ATLANTIC	Atlantic Consultants, Inc.	540.00
AUBPLCRDIS	Recology Auburn Placer	611.92
BACKFLOW	Backflow Technologies	63.99
BARTKIEWI	BARTKIEWICZ, KRONICK & SHANAHAN	13,835.23
BUREAUMPR	Bureau of Reclamation-MPR	-116,599.04
CAL-CARD	US BANK CORPORATE PAYMENT SYS	20,997.89
CALAIR	JOHNSON CONTROLS INC (CALAIR)	169.58
CAWTRAWARE	CALIFORNIA WATER AWARENESS	1,756.00
CHARLESCRW	CHARLES P CROWLEY COMPANY	834.03
CHECKPROC	CHECK PROCESSORS, INC.	854.72
CITYFLSMWR	CITY OF FOLSOM	24.70
CITYROSVL	CITY OF ROSEVILLE	3,163.98
CITYSACUTL	CITY OF SACRAMENTO	2,000.00
COSTA	TED COSTA	1,072.42
COUNTYSAC	COUNTY OF SACRAMENTO	474.56
DATAPROSE	CSG SYSTEMS INC	4,544.85
DAWSONOIL	DAWSON OIL CO	3,229.30
DEPTENERGY	DEPARTMENT OF ENERGY	2,188.71
DEWEY	DEWEY SERVICES INC	82.00
DONROBINSN	DON ROBINSON SAND & GRAVEL INC	2,515.51
EMERFUND	EMERGENCY FUND	498.18
FERNANDEZ	Fernandez Gov't Solutions, LLC	9,000.00
FLSM LAND	AMARJEET SINGH GARCHA	3,200.00
FMGRAPHICS	FM GRAPHICS, INC.	531.30
FREDRADER	FRED RADER MILL SUPPLY, CORP	547.14
GARYWEBB	GARY WEBB TRUCKING	1,674.50
GENERAL	GENTEK INC	19,944.90
GOLDENSTAT	GOLDEN STATE FLOW MEASUREMENTS	4,198.86
GRAINGER	Grainger, Inc.	148.39
GRAYBAR	GRAYBAR ELECTRIC COMPANY INC	201.75
GREATERSIE	Greater Sierra Upholstery, Inc	521.06
GROENIGER	GROENIGER & COMPANY	121.28
HACH	HACH COMPANY	1,111.08

# SAN JUAN WATER DISTRICT

## Aged AP - Summary

Period: 08-11 As of: 3/9/2011

Vendor	Name	Balance
HANSON	Hanson Bridgett LLP	760.00
HARTTERI	TERI HART	51.00
HAZARDOUS	HAZARDOUS DISPOSAL SPECIALISTS	1,680.00
HYDRICK	Rick Hydrick	45.00
JRICHARD	J. Richard Eichman, CPA	206.15
KENNEDY	KENNEDY/JENKS CONSULTANTS	48,587.23
KOCH	Koch Excavating	58,910.62
LUCYCO	THE ELDAM CORPORATION	12,922.15
MCC	MCC Control Systems	1,660.00
MCCLUREG	MCCLURE~GEORGE TOM	117.30
MCI	MCI WORLDCOM	109.39
MILLERKEN	KEN MILLER	900.50
MONTLABS	MONTGOMERY WATSON LABORATORIES	878.00
MTCASCADE	Mountain Cascade	229,829.40
NUSH	ROBERT NUSH	140.00
OFFDEPBUS	OFFICE DEPOT BUS SERV DIV	847.48
PACE	Pace Supply Corp	3,726.97
PAYROLL	PAYROLL	440,005.48
PETERSON	DAVE PETERSON	750.00
PG&E	P G & E	10,977.44
REBATE1	JARED MUELLER	525.00
REED	THE REED GROUP, INC	4,200.00
REFUND 14	ROBERT BOOKER	68.09
REFUND 15	ANDREW GALLAGHER	44.46
REFUND 16	MORRISON REAL ESTATE	151.40
REFUND 17	ADAM & DAWN WATKINS	96.91
REFUND18	DANIEL & DENISE HALLISEY	75.74
RFI	RFI Enterprises Inc	44.00
ROCKLINWIN	ROCKLIN WINDUSTRIAL CO	2,333.44
SACBEE	SACRAMENTO BEE	573.92
SACKSTEDER	VICTORIA L SACKSTEDER	103.11
SACTECHGRP	SACRAMENTO TECHNOLOGY GRP LLC	2,700.00
SACTREEFDN	Sac Tree Foundation	100.00
SANDLER	SANDLER-KAHNE SOFTWARE	903.00
SCHEETZ	SCHEETZ WELDING SERVICE INC	250.00
SIERRAASP	SNC dba Sierra Nat'l Asphalt	10,239.45
SIERRACHEM	Sierra Chemical Co	2,474.90

Date: 3/9/2011  
Time: 01:40PM

# SAN JUAN WATER DISTRICT

Page: 3  
Report: 03680S.rpt

## Aged AP - Summary

Period: 08-11 As of: 3/9/2011

Vendor	Name	Balance
SIGNIUS	SIGNIUS INVESTMENT CORP	213.75
SILVERS	Silvers HR, LLC	5,076.75
SKELLENGER	JOHN SKELLENGER	120.00
SMUD	S M U D	9,557.98
STARR	STARR CONSULTING	500.00
STORHMAIER	ROSE STORHMAIER	27.56
SUNPOWER	SunPower Corporation Systems	28,854.90
SUREWEST	SUREWEST	1,919.70
SUTTER	SUTTER MEDICAL FOUNDATION	480.00
TOBIN	PAMELA TOBIN	901.66
UPS	UNITED PARCEL SERVICE	215.75
VIKING	Viking Shred, LLC	75.00
WALTERS	BOB WALTERS	750.00
WESTPOWER	Western Area Power Admin	1,915.40
YOUNGDAHL	YOUNGDAHL & CNSLTNG GRP INC	348.00

<b>Report Total</b>	<b>876,140.41</b>
<i>Add back Bureau Credit</i>	<i>116,599.04</i>
	<u><i>992,739.45</i></u>

San Juan Water District  
Reserve Funds Reconciliation  
As of December 31, 2010

AGENDA ITEM IV-2.2

Description	Wholesale Reserves						Total
	Operating (incl Rate Stabil)	PERS/ OPEB	Comp Absence	Connect	CIP	Restricted- Debt Svc/ Other	
<b>Beginning Balance</b>	\$3,004,075	\$415,526	\$338,740	\$109,421	\$15,053,119	\$3,014,732	\$21,935,613
Add Revenues and Receipts:							
Operating:							
Wholesale Water Sales	4,532,451	50,000			651,040		5,233,491
Retail Water Sales							0
Other							0
	4,532,451	50,000	0	0	651,040	0	5,233,491
Non Operating:							
Connection Fees				3,445			3,445
Investment Income	7,132	1,010	823	266	36,579	238	46,048
Property Taxes					0		0
Other							0
Cap Contributions					1,283,677		1,283,677
COPs Direct Billed	66,594						66,594
	73,726	1,010	823	3,711	1,320,256	238	1,399,764
Less Expenses and Payments:							
Operating:							
Administrative/General	376,461						376,461
Conservation	99,848						99,848
Customer Service	0						0
Engineering	12,956						12,956
Pumping & Telemetry	272,145						272,145
Source of Supply	301,824						301,824
Transmission	33,245						33,245
Water Treatment	1,075,720						1,075,720
COPs	861,249						861,249
EDA Loan							0
CEC Loan (incl							0
	3,033,448	0	0	0	0	0	3,033,448
Non Operating:							
COPs (incl principal)						0	0
Other	52,273					199	52,472
	52,273	0	0	0	0	199	52,472
CIP					565,751		565,751
Balance sheet changes:							
Accounts Receivable	1,847,612					0	1,847,612
Interest Receivable					104,831		104,831
Prepaid expense	133,894						133,894
Accounts Payable	(1,671,206)						(1,671,206)
Interest Payable	9,294						9,294
Due other gov't						0	0
Deferred Income	20,343						20,343
Comp Abs	(26,431)						(26,431)
	313,506	0	0	0	104,831	0	418,337
Net Change	1,833,962	51,010	823	3,711	1,510,376	39	3,399,921
<b>Ending Balance</b>	<b>\$4,838,037</b>	<b>\$466,536</b>	<b>\$339,563</b>	<b>\$113,132</b>	<b>\$16,563,495</b>	<b>\$3,014,771</b>	<b>\$25,335,534</b>

San Juan Water District  
Reserve Funds Reconciliation  
As of December 31, 2010

Description	Wholesale Reserves						Total
	Operating (incl Rate Stabil)	PERS/ OPEB	Comp Absence	Connect	CIP	Restricted- Debt Svc/ Other	
Designation/Purpose:							
Debt Service Payment	\$2,230,369						\$2,230,369
Debt Service Reserve Fund						3,014,771	3,014,771
Employee Leave Balances			339,563				339,563
Operating	522,700						522,700
Operating Reserve	1,084,968						1,084,968
OPEB Trust		315,598					315,598
PERS Stabilization		150,938					150,938
Rate Stabilization	1,000,000						1,000,000
Capital Projects					16,563,495		16,563,495
Capital Projects (emergency)							0
Capital Projects (expansion)				113,132			113,132
Customer Deposits							0
	\$4,838,037	\$466,536	\$339,563	\$113,132	\$16,563,495	\$3,014,771	\$25,335,534

San Juan Water District  
Reserve Funds Reconciliation  
As of December 31, 2010

# AGENDA ITEM IV-2.2

Description	Retail Reserves								Total
	Operating	PERS/ OPEB	Comp Absence	Developer/ Customer Deposits	Connect	CIP	Emergency CIP	Restricted- Debt Svc/ Other	
<b>Beginning Balance</b>	\$1,209,573	\$415,526	\$422,469	\$68,724	\$2,400,925	\$13,432,408	\$587,705	\$1,821,037	\$20,358,367
Add Revenues and Receipts:									
Operating:									
Wholesale Water Sales									0
Retail Water Sales	4,772,311	50,000				10,000			4,832,311
Other	41,905								41,905
	4,814,216	50,000	0	0	0	10,000	0	0	4,874,216
Non Operating:									
Connection Fees					50,308				50,308
Investment Income	2,873	1,010	1,027	167	5,834	32,641	1,428		44,980
Property Taxes						0			0
Other	90,553								90,553
Cap Contributions									0
COPs Direct Billed	(36,900)								(36,900)
	56,526	1,010	1,027	167	56,142	32,641	1,428	0	148,941
Less Expenses and Payments:									
Operating:									
Administrative/General	707,214								707,214
Conservation	188,005								188,005
Customer Service	325,352								325,352
Engineering	141,666								141,666
Pumping & Telemetry	90,121								90,121
Source of Supply	1,782,456								1,782,456
Transmission	810,460								810,460
Water Treatment	0								0
COPs									0
EDA Loan	30,087								30,087
CEC Loan (incl	6,188								6,188
	4,081,549	0	0	0	0	0	0	0	4,081,549
Non Operating:									
COPs (incl principal)								0	0
Other									0
	0	0	0	0	0	0	0	0	0
CIP						394,880			394,880
Balance sheet changes:									
Accounts Receivable	38,820							0	38,820
Interest Receivable						104,831			104,831
Prepaid expense	69								69
Accounts Payable	(206,688)								(206,688)
Interest Payable									0
Due other gov't								0	0
Deferred Income	(22,834)			(6,390)					(29,224)
Comp Abs	(39,647)								(39,647)
	(230,280)	0	0	(6,390)	0	104,831	0	0	(131,839)
Net Change	558,913	51,010	1,027	(6,223)	56,142	(247,408)	1,428	0	414,889
<b>Ending Balance</b>	<b>\$1,768,486</b>	<b>\$466,536</b>	<b>\$423,496</b>	<b>\$62,501</b>	<b>\$2,457,067</b>	<b>\$13,185,000</b>	<b>\$589,133</b>	<b>\$1,821,037</b>	<b>\$20,773,256</b>

San Juan Water District  
Reserve Funds Reconciliation  
As of December 31, 2010

Description	Retail Reserves								Total
	Operating	PERS/ OPEB	Comp Absence	Developer/ Customer Deposits	Connect	CIP	Emergency CIP	Restricted- Debt Svc/ Other	
Designation/Purpose:									
Debt Service Payment									\$0
Debt Service Reserve Fund								1,821,037	1,821,037
Employee Leave Balances			423,496						423,496
Operating	402,635								402,635
Operating Reserve	1,365,851								1,365,851
OPEB Trust		315,598							315,598
PERS Stabilization		150,938							150,938
Rate Stabilization									0
Capital Projects						13,185,000			13,185,000
Capital Projects (emergenc							589,133		589,133
Capital Projects (expansion					2,457,067				2,457,067
Customer Deposits				62,501					62,501
	\$1,768,486	\$466,536	\$423,496	\$62,501	\$2,457,067	\$13,185,000	\$589,133	\$1,821,037	\$20,773,256

## STAFF REPORT

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To: Board of Directors  
From: Mary Morris, Finance & Administrative Services Manager  
Date: March 9, 2011  
Subject: Annual Audit

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### **Background**

In early 2007, the Finance Committee solicited Requests for Proposal from external auditing firms, interviewed firms which responded, recommended Marcia Fritz & Company with the full Board approval for the firm to perform the District's annual audit. Marcia Fritz & Company has audited the District's financial records for fiscal years ending 2007-2010. The initial contract was a one-year contract with a provision to extend for three additional years provided the Board was satisfied with the services received. As the Board was satisfied, the extension was granted.

### **Current Status**

Staff needs to begin preparing for the annual audit. Many sources including the Government Finance Officers Association recommend at least a five-year audit contract to establish continuity and minimize disruptions to staff. This is especially important in a small agency with limited finance staff. Soliciting an Auditing Request for Proposals at this time given the budget process would not be feasible.

### **Budget Impact**

As staff has not yet contacted the firm to discuss potential extension, the cost is not yet known. However, given past experience with the firm, staff would not anticipate a large cost increase.

### **Staff Recommendation**

Staff recommends a motion for staff to proceed with a one-year extension to the audit contract with Marcia Fritz & Company.



## BEST PRACTICE

### Audit Procurement (1996 and 2002)

**Background.** The Government Finance Officers Association (GFOA) has long recommended that state and local governmental entities obtain independent audits of their financial statements performed in accordance with the appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance functions and by maintaining citizens' confidence in their elected leaders.

**Recommendation.** GFOA makes the following recommendations regarding the selection of auditing services:

- The scope of the independent audit should encompass not only the fair presentation of the basic financial statements, but also the fair presentation of the financial statements of individual funds and component units. The cost of extending full audit coverage to the financial statements of individual funds and component units can be justified by the additional degree of assurance provided. Nevertheless, the selection of the appropriate scope of the independent audit ultimately remains a matter of professional judgment. Accordingly, those responsible for securing independent audits should make their decision concerning the appropriate scope of the audit engagement based upon their particular government's specific needs and circumstances, consistent with applicable legal requirements.
- Governmental entities should require in their audit contracts that the auditors of their financial statements conform to the independence standard promulgated in the General Accounting Office's *Government Auditing Standards* even for audit engagements that are not otherwise subject to generally accepted government auditing standards.
- Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.
- Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract, as is often the case in the private sector. Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Except in cases where a multiyear agreement has taken the form of a series of single-year contracts, a contractual provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.

- Professional standards allow independent auditors to perform certain types of nonaudit services for their audit clients. Any significant nonaudit services should always be approved in advance by a governmental entity's audit committee. Furthermore, governmental entities should routinely explore the possibility of alternative service providers before making a decision to engage their independent auditors to perform significant nonaudit services.
- The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor's ability to perform a quality audit. In no case should price be allowed to serve as the sole criterion for the selection of an independent auditor.

### **References**

- *CPA Audit Quality: A Framework for Procuring Audit Services*, General Accounting Office, August 1987.
- *Audit Management Handbook*, Stephen J. Gauthier, GFOA, 1989.
- *An Elected Official's Guide to Auditing*, Stephen J. Gauthier, GFOA, 1992.
- *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*, Stephen J. Gauthier, GFOA.
- Model Audit RFP Diskette, GFOA.

Approved by the GFOA's Executive Board, October 25, 2002

# AGENDA ITEM IV-2.6

San Juan Water District  
2011 Wholesale Water Rate Analysis  
Increase Impact

<u>2009</u>	SJWD RSA	CHWD	FOWD	OVWC	Folsom
	FY	CY	CY	CY	FY
Water Rate Revenue	\$7,299,989	\$9,623,864	\$7,879,245	\$1,730,324	\$11,891,373
Operating Costs	\$9,423,633	\$7,975,109	\$6,386,238 ?		\$16,300,000 <i>(city-wide)</i>
Calendar Year					
SJWD Water/Service Charges	\$2,329,292	\$1,880,704	\$1,462,434	\$575,534	\$314,052
Less: Debt Service Charge	(\$500,008)	(\$554,313)	(\$373,114)	(\$152,016)	(\$43,606)
SJWD Water Supply Cost	\$1,829,284	\$1,326,391	\$1,089,320	\$423,518	\$270,446
Water Supply Cost as % of:					
Water Rate Revenue	25.06%	13.78%	13.83%	24.48%	2.27%
Operating Costs	19.41%	16.63%	17.06%	#VALUE!	1.66%
Impact of 5% Water Rate Increase <i>(estimated)</i>					
Dollar Amount	\$91,464	\$66,320	\$54,466	\$21,176	\$13,522
% of Water Rate Revenue	1.25%	0.69%	0.69%	1.22%	0.11%
% of Operating Costs	0.97%	0.83%	0.85%	#VALUE!	0.08%

San Juan Water District  
2011 Wholesale Water Rate Comparison and Analysis  
Five-Year Trends

Rate Increases Based Upon Change in:

Year										Per Plan			Actual		
	Variable Uniform Commodity Rate			Fixed Annual Service Charge			Fixed Debt Service Charge			Overall Revenue Requirement			Overall Revenue Requirement		
	Increase %			Increase %			Increase %			Increase %			Increase %		
	UCR	2005- 2010	2006- 2011	Service Charge	2005- 2010	2006- 2011	Service Charge	2005- 2010	2006- 2011	Total Water Revenues	2005- 2010	2006- 2011	Total Water Revenues	2005- 2010	2006- 2011
2005	\$53.74			\$932,800			\$724,700			\$5,923,555			\$5,705,102		
2006	\$59.07			\$1,024,500			\$723,055			\$6,616,177			\$6,034,065		
2007	\$63.26			\$1,097,300			\$719,319			\$7,015,688			\$6,461,679		
2008	\$69.38			\$832,718			\$1,452,142			\$7,139,289			\$7,109,736		
2009	\$77.71			\$932,644			\$1,623,057			\$7,974,760			\$7,186,179		
2010	\$86.25	60%		\$1,035,235	11%		\$2,006,062	177%		\$9,023,499	52%		\$7,839,602	37%	
2011	\$90.60		53%	\$1,002,330		-2%	\$1,773,453		145%	\$7,203,723		9%	\$7,203,723		19%

2011 Overall Revenue Requirement is less due to movement of Pumping Costs directly to Retail Budget vs. as a component of water rates.

Overall Revenue Requirement includes Debt Service Charge; therefore, large percentage of this is due to Debt Service--w/o increase is approx 19%.

# STAFF REPORT

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To: Board of Directors  
 From: Mary Morris, Finance & Administrative Services Manager  
 Date: March 9, 2011  
 Subject: Time & Materials Construction Contract

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## Background

In February 2011, the District solicited bids for Time & Materials Construction projects. On March 1, 2011, District staff received and opened 7 bids (as listed below), with Rawles Engineering as the apparent low bidder.

Bidder	Bid Amount
Rawles Engineering	\$75,470.00
Sierra National Construction	\$102,730.00
Performance Piping	\$105,884.00
Koch Excavating	\$121,860.00
Navajo Pipelines	\$148,084.00
On Site Engineering	\$165,482.00
Wunschel & Sons	\$183,204.00

## Current Status

Staff has reviewed the bid documents and contacted references with all in satisfactory order. Staff contacted Rawles Engineering to ensure that their bid pricing was correct due to the variance in bid amounts and they have confirmed.

## Budget Impact

As the bids came in within budget, there is no negative budget impact. However, due to the lower overall pricing than the current contract, it is possible the District will save approximately 10% on these small projects.

## Staff Recommendation

Staff recommends the Finance Committee consider a motion to approve a time and materials construction contract with Rawles Engineering for \$75,470, with a not-to-exceed project amount of \$83,017 for one-year with a one-year renewal option.

The Treated Water and Cooperative  
Transmission Bypass Pipeline Project  
PowerPoint Presentation is too large to  
post. To obtain a copy, please contact the  
Board Secretary at 916-791-6905.

**MEMORANDUM**

**TO: SAN JUAN WATER DISTRICT BOARD OF DIRECTORS**

**FROM: RYAN BEZERRA AND STEPHEN SIPTROTH**

**DATE: MARCH 2, 2011**

**RE: WATER ISSUES UPDATE**

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In the last month: (1) the Delta Stewardship Council (Delta Council) released the first draft of the Delta Plan that it must complete by the end of the year and heard preliminary comments on that first draft; (2) the State Water Resources Control Board (State Board) adopted an enforcement order against a water user with pre-1914 rights that could be a precedent for how the State Board may address such rights in the future; and (3) the Legislature's 2011 bill introduction deadline passed, with many water-related bills being introduced just before the deadline. This memorandum summarizes the key points in the status of these matters.

1. Delta Council

The package of water legislation that the Legislature enacted in 2009 created the Delta Council and requires it to adopt a Delta Plan by January 1, 2012. The Delta Council released its first draft of the Delta Plan on February 14, 2011.

The first draft is more like a detailed outline of a Delta Plan than an actual draft. It identifies subjects that will require content, but does not contain a great deal of specific content. One noteworthy aspect of the first draft is that it suggests that more detailed drafts of the Delta Plan will include terms that reach outside the Delta. As our previous memoranda have discussed, the notice of preparation (NOP) that the Delta Council circulated for the Delta Plan's environmental impact report indicates that the Plan's scope may include about two-thirds of California. That NOP listed the District as a "responsible agency" that might implement parts of the Delta Plan because the District is a Central Valley Project (CVP) contractor. Consistent with the broad scope of analysis reflected in the NOP, the first draft of the Delta Plan makes a variety of statements about conditions outside of the Delta, including:

- "The Delta watershed provides all or a portion of surface water or groundwater supplies to more than 96 percent of residents in California."
- "The Delta Plan includes a range of policies and strategies that will guide state and local agency actions that take place in the Delta, Delta

watershed, and areas of the state that use water from the Delta watershed . . .”

- “The Secondary Planning Area includes areas within the Delta watershed, other areas that contributed water to the Delta watershed through imports (Trinity watershed), and areas outside of the Delta watershed that use water from the watershed.”

In releasing the first draft of the Delta Plan, the Delta Council’s staff also released a memorandum summarizing the four key preliminary findings that will affect the Delta Plan’s development. Those four preliminary findings are:

1. “California’s total water supply is oversubscribed. California regularly uses more water annually than is provided by nature.”
2. “California’s water supply is increasingly volatile.”
3. “Even with substantial ecosystem restoration efforts, some native species may not survive.”
4. “There is no comprehensive state or regional emergency response plan for the Delta.”

So far, preliminary finding 3 has received the most attention, but discussions concerning preliminary findings 1 and 2 could affect water suppliers.

During the Delta Council’s meeting on February 24 and 25, 2011, Council members, Council staff and members of the public discussed the draft Delta Plan.

Council member Hank Nordhoff seemed to support using fees and charges to reduce water demand and stated that groundwater overdraft is an issue of statewide concern that the Delta Plan should address. Similarly, Council member Felicia Marcus said that, in her opinion, the Delta Plan should call for the combined management of surface water and groundwater. Council member Randy Fiorini said he believes that groundwater overdraft is a regional or local issue that should be addressed basin by basin.

During the public comments, Greg Zlotnick with the State and Federal Contractors Water Agency – which, despite its name, only represents agencies that export water from the Delta and not American River CVP contractors like the District – said that, if exports from the Delta are considered “covered actions” that can be appealed to the Delta Council under the Delta Plan, then upstream diversions also should be appealable “covered actions.”<sup>1</sup> Jonas Minton of the Planning and Conservation League said that the Delta Plan should declare that water resources are overallocated and request that the State Board adopt new Delta flow standards rapidly.

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<sup>1</sup>Under the 2009 legislation, state and local actions that that “will occur, in whole or in part, within the boundaries of the Delta or Suisun Marsh” and meet other criteria can be appealed to the Delta Council, which may seek to overturn those actions if they are inconsistent with the Delta Plan.

## 2. State Board's Woods Enforcement Order

On February 1, the State Board approved a cease and desist order against Woods Irrigation Company, which supplies water for agricultural use in the Delta. (The State Board did not actually issue the final order until February 17.) This order was of interest because Woods asserted that its diversions were authorized by pre-1914 water rights, similar to the District's water rights. The State Board's final order therefore may become a precedent for how the State Board handles issues concerning pre-1914 right holders in the future. The State Board does not have permitting jurisdiction over pre-1914 rights, but can enforce California law against illegal diversions – even if the water user claims to hold a pre-1914 right – and against unreasonable or wasteful uses of water.

The State Board's Woods order is part of a broader State Board effort to enforce water laws against illegal diversions in the Delta. Woods Irrigation Company stated that it delivered water to landowners under both its own pre-1914 rights and as landowners' agent under the landowners' individual riparian rights. In its first draft cease and desist order, the State Board sought to tease out the rights under which Woods delivered water to individual landowners by proposing to require Woods to measure the amount of water being delivered to each landowner. This could have been a significant precedent in that it would have involved the State Board in regulating the internal operations of a pre-1914 water right holder.

Because of this potential precedent, we worked with the Northern California Water Association to make comments on the State Board's draft order. While the State Board's final cease and desist order is not as clear as we would have liked, it does state that the portion of the order requiring Woods to measure its deliveries only applies to diversions that exceed the amount of Woods' pre-1914 right. Accordingly, the State Board's final Woods order should not be a precedent favoring State Board regulation of the internal operations of pre-1914 right holders like the District.

## 3. 2011 Water Legislation

February 18, 2011 was the deadline for bills to be introduced in the Legislature for the 2011 session. Legislators introduced quite a number of bills concerning water issues. Legislators also introduced a number of "spot bills" that do not currently propose changes to water-related laws, but are placeholders for such bills. We will be working on all of these bills along with the District's general manager as part of the Sacramento Regional Water Alliance group of agencies that has retained Soyla Fernandez as their legislative advocate. That group consists of the District, the City of Folsom, the City of Roseville, the City of Sacramento, Carmichael Water District, Placer County Water Agency and Sacramento Suburban Water District.

The bills on which we will be working this year include:

- AB 134, by Assemblymember Roger Dickinson, which would give the Sacramento Regional County Sanitation District (SRCSD) better rights over its treated wastewater discharges and potentially create a revenue

source to help fund the very significant facility improvements that SRCSD would have to make under its new wastewater permit.

- AB 576, also by Assemblymember Dickinson, which, as currently written would require CVP and State Water Project contractors to begin paying fees to fund the Delta Council's work.
- SB 34, by Senator Joe Simitian, which could require water users upstream of the Delta to pay fees to support Delta programs.
- SB 52, by Senator Darrell Steinberg, which would appropriate \$52 million in bond funds to SRCSD to help fund its facility improvements, which SRCSD estimates will cost \$2 billion.
- SB 200, by Senator Lois Wolk, which would impose numerous conditions on the construction and operations of any peripheral canal or tunnel to route water around the Delta for export to the San Joaquin Valley and southern California.
- SB 571, also by Senator Wolk, which would require the state California Water Commission to review, and be involved in, water financing statewide, potentially including local agencies' financing of their own projects.

**San Juan Water District  
Executive Committee Meeting Minutes  
February 22, 2011 – 1:00 p.m.**

**MEMBER ATTENDEES**

Joe Dion	Citrus Heights Water District
Chuck Rose	Citrus Heights Water District
David Kane	Citrus Heights Water District
Bob Churchill	Citrus Heights Water District
Walt Sadler	City of Folsom
Dan Gilliam	Fair Oaks Water District
Tom Gray	Fair Oaks Water District
Victor Salle	Orange Vale Water Company
Sharon Wilcox, Chair	Orange Vale Water Company
Ed Formosa, Vice Chair	Sacramento Suburban Water District
Ted Costa	San Juan Water District
Ken Miller	San Juan Water District
Shauna Lorance	San Juan Water District
Keith Durkin	San Juan Water District
Mary Morris	San Juan Water District
Teri Hart	San Juan Water District

**AGENDA ITEMS**

- I. Call to Order**
- II. Visitors**
- III. Public Comment**
- IV. Review Agenda**
- V. Review Minutes**
- VI. New Business**
- VII. Old Business**
- VIII. Standing Items**
- IX. Other Items**
- X. Future Meeting Dates**
- XI. Adjournment**

**I. Call to Order**

Chairperson Sharon Wilcox called the meeting to order at 1:00 p.m.

**II. Visitors**

There were no visitors.

**III. Public Comment**

There was no public comment.

**IV. Review Agenda**

There were no changes to the agenda.

**V. Review Executive Committee Minutes**

The minutes of the January 25, 2011 meeting were unanimously approved.

**VI. New Business**

◆ Schedule for SJWD Wholesale Cost Allocations Discussions

Ms. Lorance reviewed the draft schedule for the SJWD wholesale cost allocations discussions. A copy of the schedule will be attached to the meeting minutes.

◆ Overview General Wholesale Water Rates

Ms. Morris provided an overview of the general wholesale water rates which showed the breakdown per dollar in the annual service charge, the debt service payments, and the Uniform Commodity Rate (UCR). A copy of the 2011 Wholesale Water Rate Analysis By Cost Type will be attached to the meeting minutes.

◆ Overview of Rate Increases

Ms. Morris explained that the wholesale water rate analysis was done from 2005 to 2011 and shows two separate five-year periods, 2005-10 and 2006-11. This was done in order to show the increase in the water rate and to look at the entire rate and not just a portion of the rate over a period of time. She explained that the UCR increased 60% for the 2005-10 period and slightly less at 53% for the 2006-11 period. However, the annual service charge increased 11% for the 2005-10 period but decreased 2% for the 2006-11 period since many costs are included in the UCR which reflects a water conservation approach to rates. In addition, the debt service increased significantly by 177% for the 2005-10 period and by 145% for the 2006-11 period for the 2009 COPs and resulting projects.

The planned overall revenue requirement showed a proposed increase of 52% for the 2005-10 period and a 9% increase for the 2006-11 period. In comparison to the actual overall revenue requirement, the percentage for the 2005-10 period was 37% not 52%, and for the 2006-11 period it was 19% not 9%.

A copy of the 2011 Wholesale Water Rate Comparison and Analysis Five-Year Trends will be attached to the meeting minutes.

Ms. Morris explained that she pulled the 2009 water rate revenues and operating costs, where available, for the Wholesale Customer Agencies to show how the SJWD Water Service Charge, excluding the Debt Service Charge, will impact the agencies if there were a 5% increase. A copy of the 2011 Wholesale Water Rate Comparison and Analysis Increase Impact will be attached to the meeting minutes.

## **VII. Old Business**

### ◆ Annual Workshop Facilitation and Agenda

Ms. Lorance informed the committee that one topic was received for the Joint Board Workshop agenda and the committee agreed that an outside facilitator should be utilized for the workshop instead of Ms. Lorance, as she will need to participate in discussions due to the agenda topic. In hearing that Mr. Fougères, the facilitator, was not available on March 7th, the Executive Committee agreed to postpone the Joint Board Workshop to a later date that will accommodate everyone's schedule.

Mr. Gray passed out a list of agenda items that Fair Oaks Water District would like added to the agenda.

## **VIII. Standing Items (as needed)**

### **Fair Oaks 40**

Mr. Durkin informed the committee that there has not been a status change on the project since the last meeting, other than scheduling a joint meeting with SJWD, FOWD, and OVWC for March 3<sup>rd</sup>.

### **Bypass Intake Project Update**

Mr. Durkin reported that a technical team meeting was held at the District on February 4th with the U.S. Bureau of Reclamation, City of Roseville and City of Folsom to review important projects with the Bureau. The technical team discussed the second intake project for water supply reliability needed during dry years or emergency situations. The most promising alternative for a second intake appears to be a low lake level pump station located in the stilling basin below the dam since there is always water at this location.

In addition, some close-out items on the Bypass Pipeline Project were discussed, including hydraulically testing the new and existing pipes independently and as a system and rehabilitating the older pipeline. The technical team will begin meeting on a monthly basis to continue progress on the projects.

### **Emergency Water Supply Planning**

Mr. Durkin informed the committee that the project is wrapping up and may require one more meeting with the retail agencies to complete. Ms. Lorance informed the committee that key staff attended the February 17-18 SEMS/NIMS training provided by the Sacramento County Office of Emergency Services.

### **Wholesale Meter Cost Allocations**

Mr. Churchill reported that he received SJWD's input on the project and the report is very close to being finalized.

### **Groundwater Pumping Update**

OVWC – Not pumping.

SSWD – All pumps are on since they are not receiving water from City of Sacramento due to repair work.

CHWD – Operating one well per week and rotating them every 5th week, which should total approximately 60 acre feet per month.

FOWD – Last year's totals showed FOWD water supply was 10% groundwater, which is approximately 1,200 acre feet.

SJWD – Not pumping.

### **Agency Updates**

Each agency provided a brief update on operations and the status of ongoing capital improvements projects.

#### **San Juan Water District:**

Mr. Durkin reported that construction is being performed by Mountain Cascade at the WTP on the treated water pipeline between the filters and Hinkle Reservoir. The construction will move to the Cooperative Transmission Bypass Pipeline (CTBP) shortly. The plan is to reroute the CTBP so that water can be delivered from the Hinkle Reservoir directly to the CTBP. There will be some major trenching completed over the next couple of months; therefore, he cautioned committee members to use care when driving through the facility as there will be some heavy equipment and detours. In addition, repairs are being made to the south filter basin and the contractor will move to the north filter basin to complete similar repairs in the next couple of weeks.

Mr. Durkin reported that, on the retail side, there are some pipeline design projects being completed by staff including working with the county on the last phase of the Auburn Folsom pipeline project. In addition, the SCADA project will be going out to bid shortly. Mr. Durkin commented that our IT Administrator has been challenged keeping the outdated SCADA system running along with transitioning SCADA to a virtual environment.

Mr. Gray inquired if the agencies plan to fulfill the back flow requirements for sprinkler systems in new developments. Mr. Durkin informed the committee that the SJWD is working with the three fire departments in our service area to establish one set of standards. Mr. Sadler commented that City of Folsom is not working on it at this time. Mr. Formosa commented that SSWD will follow Sacramento Metro Fire Department requirements.

Mr. Durkin informed the committee that the Solar Project should start mobilizing on March 7<sup>th</sup> with panels being delivered to the site, and the preliminary work has been completed to prepare the site. The project was funded through borrowing from the CIP reserves and will be repaid through the CSI rebates over a four year period and from the cost savings to the District.

Ms. Lorance reported that SJWD is on the March LAFCO agenda for the District's municipal services review - the date has not been confirmed at this time.

Folsom:

No report.

Sacramento Suburban Water District:

Mr. Formosa reported that they are working on their Warren Act agreement with the Bureau. Ms. Lorance commented that there might be a way to work with SJWD as a work around regarding the Warren Act agreement. In addition, SSWD is kicking off their main replacement projects with two already started.

Citrus Heights Water District:

Mr. Churchill reported that the municipal services review for CHWD is 85-90% complete thanks to efforts from Mr. Kane. CHWD is working with Kennedy/Jenks on their first rehabilitation project, which is relining a 16" main.

Fair Oaks Water District:

Mr. Gray reported that FOWD is almost 100% metered and all accounts have been converted to bi-monthly billing. They are working with a private community and might have to do a master metering for that specific community. Once this community is metered, then FOWD will start the process to convert to metered billing with an anticipated start date of January 1, 2012. The FOWD metering project cost approximately \$16 million over a 10-year period.

Orange Vale Water Company:

No report.

## **IX. Other Items**

Mr. Gray reported that Director Costa and Mr. Durkin attended the FOWD board meeting where the FOWD Board President gave direction to get some movement

on the FO-40 Rehabilitation Project. FOWD will be submitting a compromise proposal to the District today.

Ms. Lorance informed the committee that the District received 100% allocation from the Bureau for the February CVP water supply allocations.

**X. Future Meeting Dates**

- Annual Workshop - TBD
- March 22, 2011
- April 26, 2011

**XI. Adjournment**

The Executive Committee was adjourned at 1:58 p.m.