

SAN JUAN WATER DISTRICT

Board of Director's Meeting Minutes

March 23, 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
Greg Turner	Chief Operator
Jason Mayorga	Distribution Operator IV
Teri Hart	Board Secretary/Administrative Assistant
Paul Bartkiewicz	Counsel

OTHER ATTENDEES

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

AGENDA ITEMS

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

President Costa called the meeting to order at 7:03 p.m.

I. PUBLIC FORUM

Ms. Roberts inquired if employees pay into Social Security. President Costa responded that Social Security payments are paid by the employee with the employer paying the employer portion, same as the private sector employers.

Mr. Roberts inquired if employee benefits were on the meeting agenda. President Costa informed him that they are under Agenda Item V-3 and on-going over the next several meetings.

II. PRESENTATIONS

1. RETAIL FINANCIAL PLAN – BOB REED

President Costa informed the Board that the Finance Committee reviewed this presentation at their March 21st meeting. Ms. Morris introduced Mr. Bob Reed who presented the draft Retail Financial Plan. A copy of the draft Retail Financial Plan will be attached to the meeting minutes. Mr. Reed informed the Board that there is no rate increase planned for 2011-12 and 3% increases in the following years.

Mr. Reed explained that he develops the plan based on a 10-year planning period then it's updated every 3-4 years. He mentioned that no new long-term debt issuance is planned within the next 10 years and that existing reserves and future revenues should cover the planned projects.

Mr. Reed reviewed the rate structure and proposed changes. He commented that the Bureau of Reclamation informed the District that the decrease in the 3rd Tier on the rate structure needs to be removed as it is not in compliance with an increasing rate structure per the CVP contract.

Mr. Reed informed the Board that the Finance Committee recommended the following for discussion:

- Agreement with staff recommendation for a zero percent rate increase if possible this budgetary process
- Rate restructuring process to look at eliminating 3rd Tier per requirement of Bureau of Reclamation
 - ◆ If no rate increase from 3rd tier elimination, either the first and second tiers would need to be reduced or the daily charge needs to be reduced.
 - ◆ If 3rd Tier is eliminated and the other tiers remain the same, what is the rate increase for 3rd Tier consumers
 - ◆ If eliminating 3rd tier results in an increase in revenue of more than 2%, then adjust rates downward to equal 2%
- Consider a goal of adjusting the fixed vs. variable rate revenue allocations to 50/50
 - ◆ Possible target for a future year. Consider future increases only increasing variable portion of the rate structure until reach target

Ms. Lorange explained that if the budget projection is a 0% increase, then the Board can adopt the budget as scheduled, and then consider a rate restructuring at a future date. This would allow adequate time for the Board

to discuss the issue in detail, as well as issue notices of the proposed rate structure change and the public hearing.

Ms. Peterson inquired which rate structure would adversely affect fixed or low income families. Mr. Reed commented that Alternative D would probably be the best option since the base rate is decreased and the usage charge can be controlled by the customer to help reduce their water bill.

Director Peterson commented that there were some changes made on the plan but not on the Kokila Reserve for allocation of future and existing funds, which would change the fund balance. Mr. Reed explained that he has not had a chance to review the information with Mr. Durkin and will make the appropriate changes on the final report. In addition, there was a dedicated fund which will be zeroed out and that money used for Kokila.

The Board discussed the various options available for modifying the rate structure. Mr. Reed explained that the non-residential rate is everyone but single family homes.

Director Miller inquired how long the current plan has been in place and how does the last plan match up to the proposed plan, since the proposed rate increased are different from the last plan. Mr. Reed informed the Board that the current plan was last updated in 2006 and the proposed plan is structured to start in FY2011-12 with 10-year projections. Mr. Reed also informed the Board that a lot has happened in the past 5 years, including decreased water demands, capital improvement program schedule changes, debt issuance was less than the original plan projections, and the economy changed which resulted in various savings to the District.

Director Miller inquired what the impact would be to the customers in the 3rd Tier and how many customers fall within that tier. An analysis will be completed on some of the customers so that the Board has all the information.

Ms. Enneking inquired if there would be no significant changes in staffing over the next 10 years, then would there also be no salary increases except for cost of inflation. Ms. Lorange commented that the plan assumes a total of 3% increase in staffing costs.

Mr. Roberts inquired on the projections and was it based on 2010 numbers and was there any built in increase percentage for growth or decline used in the plan. Mr. Reed commented that the assumptions reflect a suppressed economy with the demand level lower currently and rebounding in a few years based on historical data.

III. 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.

2. 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 March 9, 2011

Director Walters moved to approve the Consent Calendar. Vice President Tobin seconded the motion and it carried unanimously.

IV. 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 updated, and will be discussed at the next Board meeting.

For information only; no action requested.

2. FO 40 Pipeline Rehabilitation Project

Mr. Durkin informed the Board that the FOWD Directors did not approve the MOU for the FO-40 Pipeline Rehabilitation Project at their board meeting on March 14th. The FOWD Board and staff indicated that the MOU would not likely be approved in the future, nor would any agreement that included project cost share for FOWD that was equal to or higher than the 70% included in the MOU.

Mr. Durkin commented that the Engineering Committee recommended that the project continue as scheduled and be referred to the Legal Affairs Committee for discussion on proceeding under the District's wholesale water supply agreement with FOWD, OVWC and San Juan Retail for payment.

Director Miller asked if the chair would entertain a motion to proceed with the construction of the rehabilitation of the FO 40 Pipeline. President Costa commented that the project should go through the proper process. Ms. Lorance commented that this topic is also under the Engineering Committee report with the recommendation to proceed with the project as scheduled and referral to the Legal Affairs Committee in order to bill appropriately.

Director Miller moved to proceed with the construction of the rehabilitation of the FO 40 Pipeline Project. Director Peterson

seconded the motion and it carried with 4 Aye votes and 1 Abstain (Walters).

Director Walters commented that the motion wasn't needed since the District is already moving forward on this project and the motion should possibly be to set the cost allocation. Mr. Durkin clarified that staff has been proceeding with a small portion of the project on the most critical section at the ARC Crossing and had been seeking agreement on the cost allocations. Without the agreement on cost allocations, staff will proceed with an engineer's report on cost allocations and bring this information back to the Board of Directors. Mr. Bartkiewicz commented that his understanding is that the SJWD Board approved the MOU and proposed it to the other agencies and now hearing back that it was not approved by all the agencies the motion seeks confirmation that the project moves forward regardless.

V. COMMITTEE REPORTS

3. Personnel Committee (3/14/11)

Director Walters reported that the committee met on March 14, 2011 and discussed the following:

- At-Will Employment
- Merit and Incentive Policy Changes
- Employee Salary and Benefits Recommendations Next Steps
- General Manager and Legal Counsel Evaluation Process
- Other Personnel Matters
- Committee Structure
- Next Meeting Date

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

At-Will Employment

Director Walters informed the Board that Legal Counsel provided a written document regarding at-will employment at the District. He explained that Legal Counsel's opinion concluded that District employees are not at-will and instead are permanent employees because they may be terminated from employment only for cause after notice and an opportunity for hearing. The General Manager position is not included under this opinion and is under the terms of a signed contract.

Mr. Bartkiewicz commented that a position can be eliminated, which can result in an employee being displaced but not terminated, which would not fall under the at-will employment category.

For information only; no action requested.

Merit and Incentive Policy Changes

Director Walters informed the Board that changes to the Merit Increase Policy was drafted, as per request of the Personnel Committee. Policy number 3080.01 was completely redefined to reflect Step Increases instead of Merit Increases for additional clarity.

Director Peterson inquired on the policy printout, page 2, section 3080.02 regarding salary spiking and some of the wording used in the policy needs to be updated. Director Walters suggested that this section be reviewed at a future Personnel Committee meeting since it wasn't on the Board agenda to review.

Director Walters moved to adopt the revised Policy 3080.01 Step Increases. Vice President Tobin seconded the motion and it carried unanimously.

Director Walters informed the Board that the Incentive Policy will be reviewed after proceeding through the Employee Salary and Benefits Recommendation Next Steps as this policy is included in the recommendations from the 2010 Personnel Committee. President Costa will send some suggested changes to Ms. Lorance for review at the committee.

Employee Salary and Benefits Recommendations Next Steps

As directed by the committee, Ms. Lorance submitted her suggestions for the next steps in bringing the four recommendations from the 2010 Personnel Committee to the Board.

Director Peterson mentioned that the way the next steps are written, they do not mirror the committee's recommendations. The Personnel Committee's direction to staff, as he understood it, was to prepare a process and schedule and not a set of recommendations and alternatives. Therefore, he requested that the committee review the December 14th recommendations and revise the next steps.

Director Miller voiced concern that the 2010 committee recommended a Salary Survey and the current committee changed the recommendation to a Total Compensation/Benefit Survey and inquired which committee recommendation should take precedence. President Costa commented that both recommendations should be considered. Director Walters commented that the compensation study might take longer to complete and in the meantime the rest of the recommendations will be addressed.

Ms. Enneking inquired what the incentive program at a public agency is based on. Ms. Lorance explained that the program provides a 0-10% one-time payment, when budgeted by the Board, that is based on performance and provides an incentive to employees, especially to those who have reached their salary cap.

For information only; no action requested.

General Manager and Legal Counsel Evaluation Process

Director Walters informed the Board that the committee agreed that the same evaluation process should be utilized for the next evaluation of the General Manager and Legal Counsel.

For information only; no action requested.

Other Personnel Matters

Committee Structure

Director Walters reported that the committee structure is Ms. Lorange as support staff and Ms. Hart as the secretary. In addition, other staff may attend the meeting for support when needed.

For information only; no action requested.

Next Meeting Date

The committee set the next meeting date to April 5, 2011 at 8:30 am.

For information only; no action requested.

Mr. Roberts commented that when looking at salary surveys the District needs to use caution since the District might be the one that other agencies base their salaries on and that the District might want to be the one to act first and set the salaries.

4. Engineering Committee (3/15/11)

Director Peterson reported that the committee met on March 15, 2011 and discussed the following:

- SCADA Project
- FO40 Rehabilitation Project
- ARC Crossing Design RFP
- FOWD Compromise Solution for Cost Allocations
- FO40 Project Schedule
- Retail Service Area 10-Year Capital Improvement Program
- Residential Fire Sprinkler Standard Update
- Other Engineering Matters
- Committee Structure
- Next Meeting Date

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

SCADA Project

Director Peterson informed the Board that the Supervisory Control and Data Acquisition (SCADA) project is being advertised for bids this week. The budget for the project is \$800,000; however, the current engineer's estimate

for the construction phase of the project is approximately \$1.2 million. This will bring the total project costs to approximately \$1.5 million. The additional costs are due to the existing system software and programming being obsolete and not salvageable.

President Costa commented that the contract needs to have a requirement to support the application for a period of time. Mr. Durkin commented that he will look at the specifications and see what it covers.

For information only; no action requested.

FO40 Rehabilitation Project

Director Peterson reported that the committee discussed the MOU not being approved by Fair Oaks Water District. The committee agreed that the project should continue as scheduled considering the District's responsibility to maintain the pipeline and liability issues if there is a pipeline failure. Since Orange Vale Water Company was in attendance at the committee meeting, they agreed that the District should proceed with the project under the wholesale water agreement without a MOU. The committee also agreed that the District's cost allocation policy should be in effect prior to billing for the project. The committee recommends that the project be referred to the Legal Affairs Committee for review to determine how to proceed under the District's wholesale water supply agreement with FOWD.

Director Peterson commented that the District should look into the issue of fire flow which was a concern of FOWD, but was not incorporated into the meeting minutes.

Director Walters suggested that the District send a letter to FOWD confirming that they tabled the MOU and inform them that the District must move forward with the project. Ms. Lorance informed the Board that she has a draft letter to FOWD for the Legal Affairs Committee to review on March 28th.

For information only; no action requested.

Retail Service Area 10-Year Capital Improvement Program

Director Peterson informed the Board that the spreadsheet which outlined the retail service area 10-year Capital Improvement Program was reviewed under the Retail Financial Plan by Bob Reed. Director Peterson commented that there are a number of on-going pipeline upgrades that can be moved in the schedule if the CIP needs to be adjusted to fit budget funding.

For information only; no action requested.

Residential Fire Sprinkler Standard Update

Mr. Durkin reported that staff informed the committee that effective January 1, 2011, all new residential construction is required to have fire sprinkler

systems installed. This creates a potential problem of stagnant water being pulled back into the water distribution system if the sprinkler system does not have a means to prevent backflow. This could affect water quality. The District does not have jurisdiction to building permit requirements or inspection. District staff recommends that we require the District's standard connection detail for all new construction with sprinkler systems that includes a backflow prevention device near the meter. In the past, this standard applied only to homes larger than 3,650 square feet.

Director Walters inquired if this was an unfunded state mandate. Mr. Bartkiewicz commented that the legislature views that as an enterprise district the cost could be covered in the rates.

For information only; no action requested.

Other Engineering Matters
Committee Structure

The committee discussed the committee structure and agreed that Mr. Durkin is the support staff, Ms. Lorance is considered staff to all committees as necessary, and Ms. Hart is the secretary. In addition, Mr. Watson and other staff will attend the meeting for support when needed.

For information only; no action requested.

Next Meeting Date

The committee set the next meeting date to April 19, 2011 at 3:00 pm.

For information only; no action requested.

VI. INFORMATION AND ACTION ITEMS

1. GENERAL MANAGER'S REPORT

1.1 Water Forum Representation

Ms. Lorance reported that she has had discussions with Roger Niello and he has agreed to volunteer his time to assist the District with negotiations on the Water Forum.

No action, for information only

1.2 CVP Water Shortage Policy

Ms. Lorance reported that she attended the first public meeting held by the United States Bureau of Relamation on March 21, 2011 with Ryan Bezerra, East Bay MUD and others. The Bureau is doing a full environmental impact statement on the shortage policy. She mentioned that the baseline for the study has not been established.

No action, for information only

1.3 Shelborne Homeowners Association Meeting

Ms. Lorance reported that the Shelborne Homeowners Association meeting has been moved and she will report on the meeting at a later date.

No action, for information only

1.4 Report Back Items

Ms. Lorance reported that there is a second draft report on the Delta Plan which she recently emailed to board members. This draft report is pushing to increase the conservation requirement from 20% by 2020 to have incremental increases in 2025 and 2030 with the intent of a 50% reduction in water use per capita by 2100. Significant comments are being made in opposition to this draft report.

No action, for information only

1.5 Miscellaneous District Issues and Correspondence

Ms. Lorance informed the Board that the CSDA Board of Directors is calling for nominations for Seat C. She suggested that if any of the Board members want to become more involved in CSDA, let staff know and they will coordinate upcoming events.

No action, for information only

2. ASSISTANT GENERAL MANAGER'S REPORT

2.1 Water Treatment Plant Filter Repair Project

Mr. Durkin reported that during the performance of the work in the North Filter Basin, it was discovered that the filter media support plates were not properly re-installed following work that was completed in the filter basins in 1999 – 2000. The plates were not properly sealed around the perimeter and the support rods were not properly installed allowing the plates to move. These deficiencies have allowed filter media to migrate past the plates and into the filtered water.

A change order is necessary to remove the filter media and plates from the affected cells, remove the accumulated filter media from the floor of the basins, properly install and seal the filter plates, and re-install the filter media. The contractor has submitted a quote of \$55,347 to complete this work. Work will be performed on a not-to-exceed time and materials basis. The addition of this change order work to the contract will result in the contract amount exceeding the authorized budget.

This item was discussed at the March 21st Finance Committee meeting and the committee recommended approving Change Order No. 4.

Director Peterson moved to approve Change Order No. 4 for additional repairs to the North Filter Basin contract in the amount of \$55,347 to cover the additional work by Koch Excavating, Inc. and increase the

total authorized not-to-exceed construction budget to \$237,000. This budget amount provides a contingency of approximately \$10,000 for any other unforeseen conditions. Director Walters seconded the motion and it carried unanimously.

2.2 Report Back Items

There were no items discussed.

2.3 Miscellaneous District Issues and Correspondence

There were no items discussed.

3. FINANCE AND ADMINISTRATIVE SERVICES MANAGER'S REPORT

3.1. Fiscal Year 2011-2012 Budget Update

Ms. Morris informed the Board that she included the FY2011-12 budget update in her staff report. The staff report included the budget planning schedule. The staff report will be attached to the meeting minutes.

Ms. Morris informed the Board that staff will be recommending a zero percent rate increase in both the wholesale and retail budgets. There will be no modifications to the Capital Improvement Program to balance the budget.

Ms. Morris explained that the rate structure changes proposed in the Retail Financial Plan presentation will be addressed separate from the budget process. Mr. Reed has some follow-up items to address and then they will be reviewed by the Finance Committee.

For information only; no action requested.

3.2. Report Back Items

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

For information only; no action requested.

3.3. Miscellaneous District Issues and Correspondence

Ms. Morris mentioned that the press release from CalPERS reports that they have maintained their assumed rate of return of 7.75% which is within their actuarial assumptions.

For information only; no action requested.

4. LEGAL COUNSEL'S REPORT

Mr. Bartkiewicz reported that his firm is watching appointments to the State Board and DWR, but they are not forthcoming. President Costa commented that Shell Oil made a large settlement with Sacramento County and Aerojet

settled with Fair Oaks Water District over issue pertaining to contaminated groundwater. President Costa inquired if the District should be at the table during discussions pertaining to groundwater contamination as a wholesale agency. Mr. Bartkiewicz mentioned that a few years ago several agencies were involved in litigation together that really never went anywhere regarding this same issue – he will have Mr. Horowitz provide more information regarding this. Director Peterson commented that the District does not have groundwater supplies, so should not be focusing on this issue. Ms. Lorange mentioned that the one key issue related to groundwater is that the wholesale customer agencies' groundwater wells are used for offsetting shortage provisions to the District and groundwater contamination could potentially affect the District in an emergency.

5. DIRECTORS' REPORTS

5.1 SGA

Vice President Tobin reported that SGA meets in April.

5.2 RWA

Vice President Tobin reported that RWA met on March 10, 2011 and she will report at the next meeting.

5.3 Executive Committee

Mr. Durkin reported that the Executive Committee met on March 22nd and all agencies were represented. The meeting minutes will be available at the next Board meeting.

5.4 ACWA/JPIA

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

5.5 CVP Water Users Association

President Costa reported that CVP Water Users Association meets in April.

5.6 LAFCO

President Costa reported that LAFCO will meet on March 29th.

5.7 Other Reports and Comments

Director Peterson and Vice President Tobin will be attending the Water Education Foundation Executive Briefing. Ms. Lorange will also be attending the Executive Briefing after conducting a formal presentation on the Delta Plan against the 50% conservation requirement proposal.

VII. 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. JPIA Open House
March 29, 2011 – 3:30-6:30pm
Roseville, CA
4. Metro Chamber Cap to Cap
May 7-11, 2011
Washington DC
5. ACWA Spring Conference
May 11-13, 2011
Sacramento, CA

VIII. 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.

President Costa informed the Board that the closed session was not needed.

IX. OPEN SESSION

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

X. ADJOURN

The meeting was adjourned at 9:46 p.m.

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

ATTEST:

TERI HART, Board Secretary

SAN JUAN WATER DISTRICT
RETAIL FINANCIAL PLAN AND WATER RATE STUDY
BOARD OF DIRECTORS MEETING
MARCH 23, 2011



SUMMARY

- No retail rate increase needed for FY 11-12
- Annual rate increases of 3 percent estimated beginning January 2013
- No new long-term debt in near-term
- Ten-year CIP funded from reserves, property taxes, connection fees, and a portion of water rates
- Conservative assumptions used in financial planning
- Recommend simplifying rate structure
 - Reduce 3-tier residential structure to 2-tier structure

RETAIL FINANCIAL PLAN

Base Data

- FY 10-11 retail budget and fund/reserve balances as of 6/30/10
- 2003 COP and 2009 COP debt service schedules
- Ten-year capital improvement program
- Ten-year cash flow model (fiscal years), with annual calendar year rate adjustments

Assumptions

- Interest rates gradually rise 0.5% → 3.0%
- General inflation 3.0%
- Energy/chemical inflation 3.0% for 5 years, then 5.0%
- Staff costs No significant change in staffing; 3% inflation assumed
- Construction inflation 4.0%
- Customer growth rate 0.0% in 2012, 0.5% in 2013, and 1.0% thereafter
- Water demand Rebound occurs through 2013
- Property tax revenues Stable, 50/50 allocation to wholesale/retail
- Conn. fee revenue Tied to growth; fee amount increases with inflation
- Retail pumping costs Costs removed from wholesale budget
Folsom pumping surcharges = \$59.30/AF
- Reserve maintained 20% operating reserve
- PERS & OPEB reserves Contributions made annually

Financial Plan Results

- Overall annual rate increases of 3% beginning in 2013 needed for operation and maintenance, debt service, and minimal capital program transfers
- Debt service costs generally stable
 - 2003 COP payments related to 1993 refunding to end in FY 12-13

- Capital improvement program is \$28.4 million over 10 years (\$34.1 million in future dollars)
 - Remaining COP proceeds fully used by 2013
 - Connection fees, property taxes, Capital Fund reserves also used
 - Rate revenue transfers begin in FY 15-16, and provide modest support
- Reserve policies maintained
 - 20% operating reserve (generally maintained through planning period)
 - Property taxes moved to Operating Fund in FY 11-12 and FY 13-14
 - Contributions made annually to Capital Fund beginning in FY 15-16

RETAIL WATER RATE STRUCTURE

- The step down in third tier of the residential structure is viewed as not conservation oriented; USBR wants this changed
 - Three alternatives to eliminate the third tier are offered for consideration
 - Eliminate the third tier and maintain revenue neutrality by reducing rates for Tier 1 and Tier 2
 - Eliminate the third tier, but maintain rates for Tier 1 and Tier 2; adjust non-residential rate to maintain equity (balance); results in a 3% overall rate revenue increase
 - Eliminate the third tier, but limit revenue increase to 2% by reducing rate for Tier 1 and Tier 2, and balancing with non-residential rate
- At present about 60% of water rate revenue comes from service charges, while about 40% comes from usage charges
 - Previously about 43% had been from usage charges
 - Water conservation BMP requires 70% from water usage charges
 - Alternative target can be determined using “Canadian model”
 - Policy question: Should revenue mix be changed (e.g., move toward 50/50 revenue mix)?
 - Gradual migration could come about with rate changes only affecting usage rates (not base charges)
- Any rate structure change will require going through the Prop. 218 public notice and hearing process

NEXT STEPS

- Revise financial plan and rate study analysis based on Board input and direction
- Prepare rate study report
- Assist with Prop. 218 process to adopt simplified rate structure

**San Juan Water District
Retail Financial Plan Summary -- Operating Fund**

	FY 09-10 Estimate	FY 10-11 Projected	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
	CY Rate Increase -->	2%	0%	3%	3%	3%	3%	3%	3%	3%	3%
RETAIL OPERATIONS											
Beginning Balance	305,661	1,932,828	1,756,000	2,187,681	2,188,748	2,420,903	2,594,339	2,767,300	2,931,376	3,167,477	3,351,017
Sources of Funds											
Retail Rate Revenue	7,300,000	7,752,000	7,877,000	8,123,000	8,603,000	9,089,000	9,454,000	9,835,000	10,232,000	10,644,000	11,073,000
Folsom Pump. Surcharge Rev.		27,000	87,700	95,900	102,900	106,900	113,300	120,200	127,500	135,200	143,500
Meter Rentals/Constr. Wtr.	13,000	10,726	11,000	11,300	11,600	11,900	12,300	12,700	13,100	13,500	13,900
Fire Service Fees	20,000	20,000	20,600	21,200	21,800	22,500	23,200	23,900	24,600	25,300	26,100
Reconnects & Penalties	7,500	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
Late Fees	38,000	30,000	30,900	31,800	32,800	33,800	34,800	35,800	36,900	38,000	39,100
Interest Earnings	3,000	2,000	18,000	33,000	44,000	61,000	78,000	83,000	88,000	95,000	101,000
Grants	75,000	30,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Rebate Revenue	14,000	13,000	-	-	-	-	-	-	-	-	-
Total Sources of Funds	7,470,500	7,889,726	8,090,400	8,361,600	8,861,700	9,370,900	9,761,600	10,156,800	10,568,500	10,997,600	11,443,400
Uses of Funds											
Water Supply Purchases	1,665,207	1,758,000	1,560,000	1,722,000	1,880,000	1,990,000	2,106,000	2,230,000	2,360,000	2,499,000	2,645,000
Pumping & Telemetry	62,948	232,451	309,000	318,000	328,000	338,000	348,000	358,000	369,000	380,000	391,000
Pumping Energy	41,865	155,067	406,000	444,000	488,000	503,000	528,000	554,000	582,000	611,000	642,000
Transmission & Distribution	1,497,329	1,502,906	1,548,000	1,594,000	1,642,000	1,691,000	1,742,000	1,794,000	1,848,000	1,903,000	1,960,000
Customer Service	588,466	637,393	657,000	677,000	697,000	718,000	740,000	762,000	785,000	809,000	833,000
Conservation	436,911	405,160	417,000	430,000	443,000	456,000	470,000	484,000	499,000	514,000	529,000
Engineering	362,169	333,958	344,000	354,000	365,000	376,000	387,000	399,000	411,000	423,000	436,000
Administrative & General	989,182	997,725	1,028,000	1,059,000	1,091,000	1,124,000	1,158,000	1,193,000	1,229,000	1,266,000	1,304,000
OPEB Liab. Expense (to Reserve)	162,980	193,377	201,000	209,000	217,000	226,000	235,000	244,000	254,000	264,000	275,000
Debt Service (SJ-RSA portion)											
2003 COPs (1993 Refunding)		291,196	478,492	-	-	-	-	-	-	-	-
2003 COPs (San Juan Project)		536,135	537,144	536,868	535,235	535,715	537,000	536,712	536,039	534,982	535,943
2009 COPs		987,036	986,807	986,577	1,213,222	1,209,661	1,207,551	1,207,924	1,209,360	1,210,078	1,209,360
EDA Loan	30,088	30,088	30,088	30,088	30,088	30,088	30,088	30,088	30,088	-	-
CEC Loan	6,188	6,188	6,188	-	-	-	-	-	-	-	-
Transfer to Capital Fund		-	(850,000)	-	(300,000)	-	100,000	200,000	250,000	400,000	500,000
Total Uses of Funds	5,843,333	8,066,681	7,658,719	8,360,533	8,629,545	9,197,464	9,588,639	9,992,724	10,332,399	10,814,060	11,260,303
Ending Balance	1,932,828	1,756,000	2,187,681	2,188,748	2,420,903	2,594,339	2,767,300	2,931,376	3,167,477	3,351,017	3,534,114
Operating Reserve (20%)	1,161,000	1,243,000	1,294,000	1,361,000	1,430,000	1,484,000	1,543,000	1,604,000	1,667,000	1,734,000	1,803,000
Employee Vac./Sick Leave Rsrv.	422,469	427,000	431,000	435,000	439,000	443,000	447,000	451,000	456,000	461,000	466,000
PERS Reserve	101,570	202,000	304,000	409,000	517,000	630,000	749,000	871,000	997,000	1,127,000	1,261,000
Uncommitted Fund Balance	247,789	(116,000)	158,681	(16,252)	34,903	37,339	28,300	5,376	47,477	29,017	4,114
OPEB Liability Reserve	313,956	507,000	708,000	917,000	1,134,000	1,360,000	1,595,000	1,839,000	2,093,000	2,357,000	2,632,000
Debt Service Coverage (1.15 min.)			1.28	2.02	2.17	2.33	2.40	2.50	2.63	2.76	2.90

**San Juan Water District
Retail Financial Plan Summary -- Capital Fund**

	FY 09-10 Estimate	FY 10-11 Budget	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RETAIL CAPITAL FUND											
Beginning Balance		16,390,866	14,628,866	10,676,866	5,531,866	3,114,866	1,363,866	1,702,866	1,919,866	3,551,866	5,809,866
Sources of Funds											
Property Taxes (50% of 1% Incr.)		850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Retail Connection Fees		-	-	567,000	1,195,000	1,258,000	1,324,000	1,394,000	1,450,000	1,526,000	1,605,000
Interest Earnings		82,000	146,000	160,000	111,000	78,000	41,000	51,000	58,000	107,000	174,000
Transfer from Operations		-	(850,000)	-	(300,000)	-	100,000	200,000	250,000	400,000	500,000
Total Sources of Funds		932,000	146,000	1,577,000	1,856,000	2,186,000	2,315,000	2,495,000	2,608,000	2,883,000	3,129,000
Uses of Funds											
RSA-Wide Cap. Improv. Projects		620,000	835,000	352,000	390,000	404,000	784,000	285,000	443,000	625,000	771,000
Distrib. Mainline Replacements		915,000	924,000	817,000	1,800,000	819,000	450,000	601,000	204,000	-	-
Transmission Pipelines		1,159,000	1,502,000	1,119,000	1,746,000	2,714,000	426,000	1,392,000	329,000	-	-
Storage Tanks		-	-	-	337,000	-	316,000	-	-	-	5,766,000
Pressure Reducing Stations		-	421,000	324,000	-	-	-	-	-	-	-
Pump Stations		-	416,000	4,110,000	-	-	-	-	-	-	-
Total Uses of Funds		2,694,000	4,098,000	6,722,000	4,273,000	3,937,000	1,976,000	2,278,000	976,000	625,000	6,537,000
Ending Balance	16,390,866	14,628,866	10,676,866	5,531,866	3,114,866	1,363,866	1,702,866	1,919,866	3,551,866	5,809,866	2,401,866
General CIP Reserve	13,025,498	11,489,161	8,303,161	4,843,161	1,769,161	1,255,161	844,161	384,161	870,161	1,865,161	(2,893,839)
Connection Fee Reserve	2,400,925	2,164,000	1,385,000	(315,000)	325,000	(932,000)	(204,000)	450,000	1,573,000	2,812,000	4,138,000
Kokila Reservoir Reserve	326,738	338,000	351,000	366,000	383,000	403,000	425,000	448,000	471,000	495,000	520,000
Vehicle/Equipment Reserve	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Emergency CIP Reserve	587,705	587,705	587,705	587,705	587,705	587,705	587,705	587,705	587,705	587,705	587,705

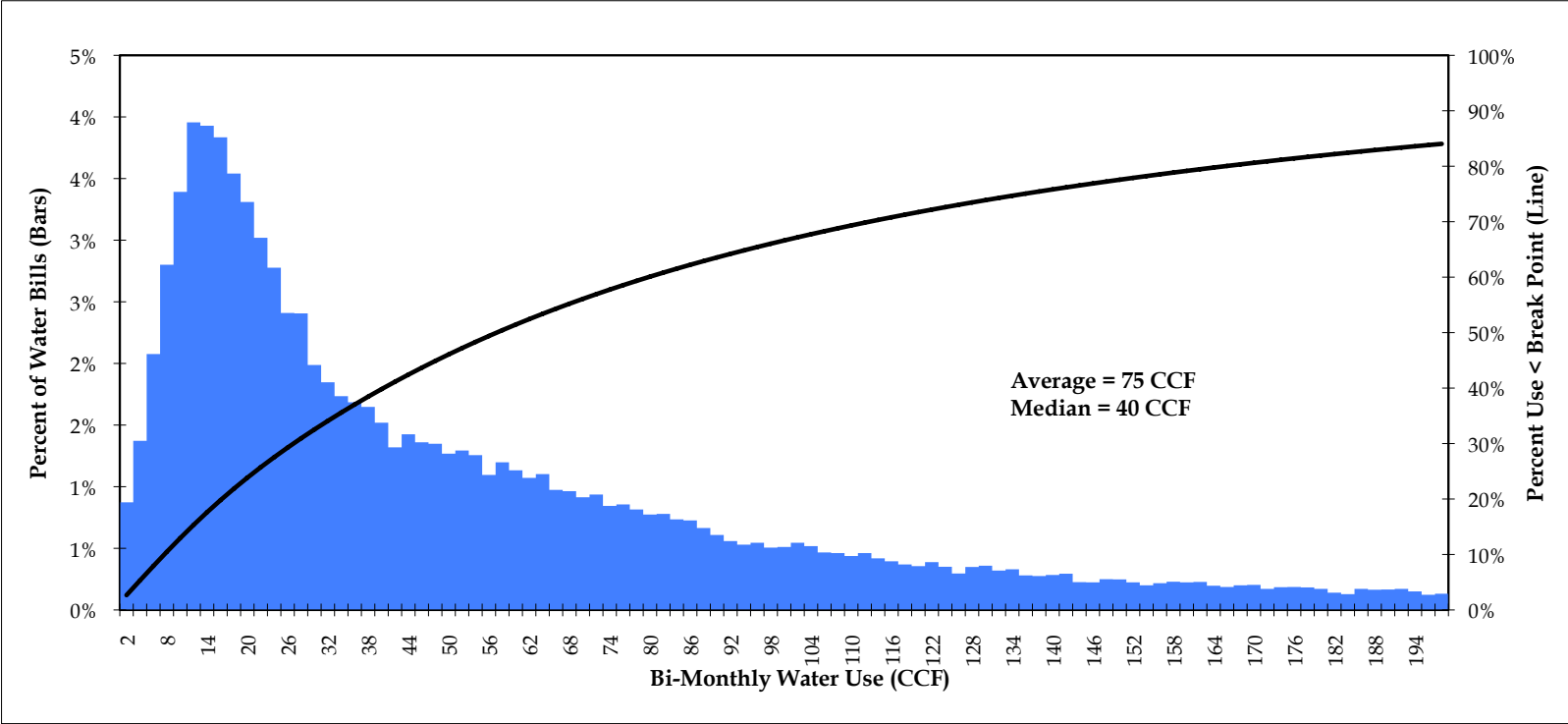
**San Juan Water District
Retail Water Rate Structure Alternatives**

	Current (1)	Alt. A (2)	Alt. B (3)	Alt. C (4)	Alt. D (5)
Base / Usage Rev. Mix -->	60% / 40%	60% / 40%	60% / 40%	60% / 40%	50% / 50%
Rev. change from restructure -->		0%	3%	2%	0%
Water Usage Charge (\$/CCF)					
<i>Residential (6)</i>					
Tier 1 (0-20 CCF)	\$ 0.44	\$ 0.42	\$ 0.44	\$ 0.43	\$ 0.51
Tier 2 (21-200 CCF)	\$ 0.74	\$ 0.70	\$ 0.74	\$ 0.72	\$ 0.86
Tier3 (>200 CCF)	\$ 0.52				
<i>Non-Residential</i>					
All Usage	\$ 0.63	\$ 0.63	\$ 0.67	\$ 0.65	\$ 0.78
Daily Base Charge					
Up to 1" Mtr.	\$ 1.15	\$ 1.15	\$ 1.15	\$ 1.15	\$ 0.96
1 1/2" Mtr.	\$ 3.07	\$ 3.07	\$ 3.07	\$ 3.07	\$ 2.56
2" Mtr.	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.08
3" Mtr.	\$ 9.75	\$ 9.75	\$ 9.75	\$ 9.75	\$ 8.13
4" Mtr.	\$ 15.19	\$ 15.19	\$ 15.19	\$ 15.19	\$ 12.66
6" Mtr.	\$ 30.36	\$ 30.36	\$ 30.36	\$ 30.36	\$ 25.30
8" Mtr.	\$ 54.58	\$ 54.58	\$ 54.58	\$ 54.58	\$ 45.48

Notes:

- (1) Effective January 1, 2011, with a 2% increase over the rates from 2010.
- (2) Restructure by eliminating 3rd tier, maintaining revenue neutrality, and rebalancing between classes.
- (3) Restructure by eliminating 3rd tier, maintaining Tier 1 & 2 rates, and rebalancing non-residential rate.
- (4) Restructure by eliminating 3rd tier, rebalancing, and limiting revenue increase to 2 percent.
- (5) Restructure by eliminating 3rd tier, maintaining revenue neutrality, shifting to 50/50 revenue split.
- (6) Proposed residential rates would include two tiers, with the second tier including usage over 20 CCF.

**San Juan Water District
Water Use Characteristics for Residential Customers**



**San Juan Water District
2012 Water Usage Rate Calculation for Retail Service Area**

	Bi-Monhtly Use Range	Annual Water Use (CCF)	% of Use	Water Rate (\$/CCF)
Residential Tiered Water Rates				
Tier 1 Rate	0-20 CCF	1,039,000	23.8%	\$ 0.42
Tier 2 Rate	>20 CCF	3,321,000	76.2%	\$ 0.70
		4,360,000	100%	
Non-Residential Uniform Water Rate				
Uniform Usage Rate		638,000	100%	\$ 0.63
Total Usage		4,998,000	11,474	AF
Summary of 2012 Revenue Requirement		Ann. Water Usage Rate Revenue		
Service Charges	\$ 4,673,000	60%	Residential	\$ 2,763,000
Usage Charges	\$ 3,167,000	40%	Non-Residential	\$ 404,000
CY 2012 Rev. Rqmt.	\$ 7,840,000		Total	\$ 3,167,000

**Personnel Committee Meeting
San Juan Water District
March 14, 2011
8:30 a.m.**

Committee Members: Bob Walters, Chair
Ken Miller, Director

District Staff: Shauna Lorange, General Manager
Keith Durkin, Assistant General Manager
Teri Hart, Board Secretary/Administrative Assistant

Topics: At-Will Employment
Merit and Incentive Policy Changes
Employee Salary and Benefits Recommendations Next Steps
General Manager and Legal Counsel Evaluation Process
Other Personnel Matters
Committee Structure
Next Meeting Date
Public Comment

1. At-Will Employment

Ms. Lorange informed the committee that at the request of the Board, Legal Counsel provided a written document regarding at-will employment at the District. A copy of the document will be attached to the meeting minutes. Ms. Lorange explained that Legal Counsel's opinion concluded that District employees are not at-will and instead are permanent employees because they may be terminated from employment only for cause after notice and an opportunity for hearing. The General Manager position is not included under this opinion and is under the terms of a signed contract. In addition, during the probation period, employee status is at-will until the probation period is fulfilled.

For information only; no action requested.

2. Merit and Incentive Policy Changes

Per the request of the committee at the last committee meeting, Ms. Lorange provided recommended changes to the Merit Increase policy. A copy of the policy will be attached to the meeting minutes. Policy number 3080.01 was completely redefined to reflect Step Increases instead of Merit Increases for additional clarity. The committee discussed the proposed changes and agreed to the policy revisions.

The Personnel Committee recommends consideration of a motion to adopt the revised Policy 3080.01 Step Increases.

The committee discussed the Incentive Policy and will review the policy after proceeding through the Employee Salary and Benefits Recommendation Next Steps as this policy is included in the recommendations from the 2010 Personnel Committee.

3. Employee Salary and Benefits Recommendations Next Steps

As directed by the committee, Ms. Lorance submitted her suggestions for the next steps in bringing the four recommendations from the 2010 Personnel Committee to the Board. Ms. Lorance's suggestions included a summary of the recommendations from the 2010 Personnel Committee and a suggestion on process and schedule to complete evaluation of the recommendations. Ms. Lorance discussed her suggestion that the 2010 Personnel Committee's proposed salary survey should be transitioned into a benefit and compensation survey, which would be completed first in order to obtain a comparable baseline on the District's total compensation before proceeding with the other three committee recommendations.

The committee discussed, in length, the proposed survey and agreed that it should be considered a Benefit Survey since that is the basis on which it will be utilized and the committee agreed with staff that this is not the time to consider changes to employee salaries. The committee also decided that the survey should be overseen by SJWD through the Personnel Committee, completed by an outside consultant who is selected by competitive proposal, and not by a regional source, such as the RWA. In addition, the ground rules should be outlined prior to the survey being completed so that the consultant understands exactly what the District is looking for when comparing total compensation between different agencies, such as overall organizational structure, water treatment plant capacity, and job duties between positions. The committee requested Ms. Lorance include a copy of the process and schedule, as revised by the committee, with the committee minutes provided to the Board next week.

The Personnel Committee recommends initiation of a Benefit Survey by competitive proposals with the Board determining the parameters for the survey.

4. General Manager and Legal Counsel Evaluation Process

The committee discussed the evaluation process and agreed that the same process should be utilized for the next evaluation of the General Manager and Legal Counsel, with the anticipation that costs will be reduced since the firm has already developed the process and forms needed for future evaluations. Ms. Lorance will develop a schedule for evaluation of the General Manager and General Counsel at the first Board of Directors meeting in January 2012.

For information only; no action requested.

5. Other Personnel Matters

5.1 Committee Structure

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

For information only; no action requested.

5.2 Next Meeting Date

The committee set the next meeting date to April 5, 2011 at 8:30 am.

For information only; no action requested.

6. Public Comment

There was no public comment.

The meeting was adjourned at 10:20 am.



Bartkiewicz, Kronick & Shanahan
A Professional Corporation

MEMORANDUM

TO: BOARD OF DIRECTORS, SAN JUAN WATER DISTRICT

CC: SHAUNA LORANCE, GENERAL MANAGER

FROM: JOSHUA M. HOROWITZ

DATE: FEBRUARY 17, 2011

RE: RESPONSE TO QUESTION CONCERNING WHETHER DISTRICT IS AN AT-WILL EMPLOYER

At the District's February 9, 2011 Board meeting, Director Miller asked whether the District's employees are considered to be employed on an at-will basis. This memorandum concludes that the District's employees are not at-will and instead are permanent employees because they may be terminated from employment only for cause after notice and an opportunity for hearing.

I. ISSUE PRESENTED

Do San Juan Water District's employees serve at will or do they have protections from termination without cause?

II. SUMMARY ANSWER

San Juan's employees do not serve at will. An at-will employment system exists only if there is a clear expression in employment manuals and other documents that employment may be terminated without cause at any time. The District's Employee Manual lacks any statement that employment with the District is at will. Instead, it expresses a clear intent that employment with the District may be terminated only for specified causes after notice and an opportunity for an employee proposed for termination to have a hearing if he or she requests. The detailed nature of the District's employment policies and procedures therefore creates a "for-cause" or permanent employment relationship.

III. DISCUSSION AND LEGAL ANALYSIS

An at-will employment relationship is one with no defined term and no express or implied promise by the employer to shield employees from arbitrary or inconsistent treatment within the bounds of the law. In such a relationship, the employer is not required to state any cause for

termination or to provide any due process before dismissal. (*Guz v. Bechtel National, Inc.* (2000) 24 Cal.4th 317, 350.) A public employer may have an at-will employment relationship with its employees if such an employment system is permitted under the agency's statutory authority. (*Portman v. County of Santa Clara* (9th Cir. 1993) 995 F.2d 898, 904.)

Public sector employees in California are deemed to hold employment not by contract but by statute establishing the terms and duration of employment. But no employee has a vested contractual right to continue in employment contrary to the terms and conditions fixed by the applicable law. (*Shoemaker v. Meyers* (1990) 52 Cal.3d 1, 24.) Once a public employer establishes an employment system that provides termination may occur only for good cause, then the agency's employees are deemed to obtain permanent status. Once a public employer accords permanent status to its employees, they obtain a constitutional property right in their employment that requires due process to be provided to an employee before a proposed termination may occur. At a minimum, such due process rights include the substantive right to continue in employment during good behavior and a procedural right to notice and an opportunity to have a fair hearing before termination becomes final. (*Skelly v. State Personnel Board* (1975) 15 Cal.3d 194, 201-203.)

In the District's case, the statutory authority for setting the terms and conditions of employment is found in Government Code section 61051, subdivision (b), which provides that the General Manager is responsible for "the appointment, supervision, discipline, and dismissal of the district's employees, consistent with the employee relations system established by the board of directors." Under the authority provided in Government Code section 61051(b), the Board approved an amended Employee Manual prepared by the General Manager in 2007.

The existing Employee Manual nowhere provides that employment with the District is at-will. Rather, the manual establishes a system of permanent employment after satisfactory completion of a six-month probationary period (which is at-will). The policy is stated in Employee Manual Policy No. 7010, which provides that employment with the District is subject to good behavior consistent with standards of conduct established by the District. Policy No. 7020 lists 43 specific standards of conduct and provides a chart establishing levels of discipline for violations of the specified standards. Finally, Policy No. 7080 provides extensive and detailed procedures for imposing discipline on employees that violate the standards of conduct. Those procedures not only provide for notice and hearing rights before an employee can be terminated from District employment that are consistent with *Skelly* due process rights, but also provide due process procedures for less serious forms of discipline. Based on the applicable law and the clear intent of the Employee Manual, the District has a "good cause" or permanent employment system.

SAN JUAN WATER DISTRICT
EMPLOYEE MANUAL

POLICY TYPE : Payroll Practices and Hours of Work
POLICY TITLE : Salary Ranges
POLICY NUMBER : 3080
DATE ADOPTED : May 12, 2002
DATES AMENDED : February 14, 2007

3080.00 SALARY RANGES

The District has established pay ranges for the various job classifications of employees. In doing this, several factors were considered, including the prevailing rates for similar positions in other water districts, the level of responsibility, technical qualifications and the relative degree of interaction/decision-making. Employee salary ranges may be changed from time to time by the Board of Directors.

3080.01 STEP INCREASES

Each position at the District has a salary range. The low end of the range is designed to correspond to an apprentice level for the position. The high end of the range is designed to correspond to a journey level for the position. An employee progresses through the salary range based on his or their performance in the position.

When an employee is not at the top of this or her salary range, the employee is ~~y~~are eligible for a step increase. The amount of the step increase is based on the employee's ~~if~~ performance during the previous 12 months. Each year, the General Manager will determine which employees are eligible for a step increase and for those eligible, the amount of the increase for each eligible employee. The total amount of all step increases awarded will be no greater than the amount approved by the Board in the District's budget for that year. Any step increase applied to an employee's salary increases the base salary amount for that employee.

Step increases are provided to eligible employees during the first pay period in February. Those employees that are paid at the top of their salary range are not eligible for ~~any~~ salary step increases.

3080.02 ANTI-SPIKING POLICY RELATED TO SALARIES

The assumptions used by CalPERS in calculating the actuarial projections in retirement costs includes a component related to the amount of increase in salary each employee is expected to receive. The assumptions are based on the age of employee at entry to CalPERS covered employment, current age, and number of years of service. Each year,

the actuarial valuation is updated using actual salary costs, so the actuarial assumptions are not interdependent from year to year.

The intent of the Board of Directors is to reduce the possibility of increasing the retirement liability of the District, as well as forbid the policy of spiking salaries for the purpose of increasing retirement. The Board of Directors recognizes the benefits of allowing the General Manager the authority to award step increases based on actual work performance and merit. Directly implementing the CALPERS assumptions and mandating a merit increase for each individual employee does not provide adequate flexibility for the General Manager to effectively manage the District and could potentially create a case for age discrimination.

The Board has provided the General Manager the authority to determine the specific advancement within the salary range for each employee, under the condition that the total increase for all employees does not exceed the total assumed increase used by CalPERS for merit increases. The assumed step increase used by CalPERS is defined as the total assumed increase in payroll costs for the district. Should the total increase in payroll costs for recommended step increases exceed the estimated assumed merit increase used by CalPERS, the General Manager will obtain Board approval prior to implementation.

Process and Schedule

Employee Benefits Discussion

Personnel Committee

SCHEDULE

The schedule for evaluating the recommendations from the personnel committee has been developed and is attached to this document.

PROCESS

Overall process recommendation:

Putting discussions of revisions to the existing benefits and compensation of employees in context of comparable compensation at other agencies would provide a comparable baseline for discussing any revisions to the existing benefit policies. Once the tool is identified and available, discussions could proceed with the Board of Directors all operating from the same set of facts.

The committee has elected to proceed with the following processes to complete the employee benefits discussion.

Competitive Benefit Comparison Study

1. Conduct a SJWD led study:
 - i. Issue a request for proposal for a competitive benefits comparison study
 - ii. Hire a consultant to conduct study through a competitive selection process
 - iii. identify compensation parameters, including the labor market employers, survey classifications and survey scope
 - iv. review survey parameters with personnel committee and Board of Directors approve
 - v. collect, summarize and analyze base salary and benefit information
2. Compare data from comparison study to SJWD combined compensations package, focusing on employee benefits
3. Identify if SJWD compensation package is below, at, or above the point of competitiveness set by the Board of Directors.
 - a. compare existing salaries and benefits to comparable agencies
 - i. Identify if salaries and cash benefits are comparable to point of competitiveness (many options: for example, past SJWD competitive market study chose a mean plus 10% for total cash comparison. CHWD used 75th percentile for salaries in comparison, without benefits included.)
 - ii. This action item is to provide a basis for comparison. The personnel committee recommendations included a recommendation for modifications to salary ranges. Based on the current economy, the committee does not believe this is a good time to discuss salary range increases.
4. Use the information from “3” above to evaluate the remaining three recommendation topics from the personnel committee.

Policy on PERS Employer Pick up of Member Contribution (EPMC)

1. For existing employees, use data from the Competitive Market Study to determine if the SJWD compensation package is below, at, or above the point of competitiveness set by the Board of Directors.
2. Consider following guidelines in proceeding:
 - a. If salaries are generally below point of competitiveness, consider one of the following:
 - i. Maintaining existing policy
 - ii. Increasing salary and decreasing EPMC
 - b. If salaries are generally at point of competitiveness, compensation is appropriate, so consider one of the following:
 - i. Maintaining existing policy
 - ii. Increasing salary and decreasing EPMC
 - c. If salaries are generally above the point of competitiveness, compensation is high, so consider one of the following:
 - i. Maintaining existing policy and freezing salaries until point of competitiveness catches up
 - ii. Negotiate with employees to continue colas, but ramp up employee contributions by like amount until EPMC is gone, effectively freezing compensation until comparables increase
 - iii. Freezing (eliminating) COLAs for a number of years until the cumulative effect of the freeze is 8%. This would not eliminate the EPMC but would cover the cost of the EPMC.
3. For future employees, consider one of the following:
 - a. Maintaining the same policy as existing employees
 - b. Creating another tier for future employees

Policy on Cost Sharing of Other Benefits

1. evaluate contribution to health insurance in context of point of competitiveness:
 - a. If salaries are generally below point of competitiveness, consider one of the following:
 - i. Maintaining existing policy
 - ii. Increasing salary and increase employee contribution to health insurance premiums
 - b. If salaries are generally at point of competitiveness, compensation is appropriate, so consider one of the following:
 - i. Maintaining existing policy
 - ii. Increasing salary and increase employee contribution to health insurance premiums
 - c. If salaries are generally above the point of competitiveness, compensation is high, so consider one of the following:
 - i. Maintaining existing policy and freezing salaries until point of competitiveness catches up
 - ii. Increase employee contribution to health insurance premiums
2. evaluate contribution to dental insurance in context of point of competitiveness:
 - a. If salaries are generally below point of competitiveness, consider one of the following:

- i. Maintaining existing policy
 - ii. Increasing salary and increase employee contribution to dental insurance premiums
- b. If salaries are generally at point of competitiveness, compensation is appropriate, so consider one of the following:
 - i. Maintaining existing policy
 - ii. Increasing salary and increase employee contribution to dental insurance premiums
- c. If salaries are generally above the point of competitiveness, compensation is high, so consider one of the following:
 - i. Maintaining existing policy and freezing salaries until point of competitiveness catches up
 - ii. Increase employee contribution to dental insurance premiums

Policy on Incentive Award Program

This program was instigated to provide tool the general manager could use as an incentive to develop a work environment more like a private firm. The Board of Directors requested the district be run as similar to a private company as feasible as a public agency. Although this program by itself does not provide that environment, it is one of the tools. There are multiple tools that are used to create a strong work ethic culture at the district, including management style, flexibility in schedule, incentive awards, etc. It is impossible to identify at what point the culture at the district would change as incentives are removed.

At the same time, there are times when incentives may not be reasonable, and this current environment is one of them. Public perception during difficult economic times historically has been focused on the job security and benefits at public agencies. The public does not usually have enough information to understand whether or not an agency has been extremely efficient, or has excess staff, etc.

The question before the Board of Directors is how to balance out the desire to run a highly efficient organization with need to be cognitive of the economic climate. To work through this question, the following questions could be contemplated in order to arrive at a solution:

1. In good economic times, does the Board desire to have the program available for consideration of funding by the Board?
 - a. If yes, consider maintaining the incentive award policy
 - b. If no, consider canceling the incentive award policy, and stop here.
2. Does the Board desire to review the incentive policy on a year by year basis, as part of the budget process, or does the Board desire to place restrictions on when the policy would be considered?
 - a. If the board wants to review the incentive award policy on a year by year basis, consider including a statement in the policy that the board will consider funding the program on a year by year basis to make the policy more clear that it is not a guaranteed program every year.
 - b. If the board desires to place restrictions on when the policy would be considered, consider what variable could be used to identify what year types the board would consider funding the incentive award program.

Evaluation of Employee Benefits Personnel Committee

Schedule for Completion

<u>Competitive Market Comparison Study</u>	
Personnel committee recommend whether or not to conduct study	March 14, 2011
Board decision on whether or not to conduct study	March 23 Board Meeting
Personnel Committee select consultant	May
Consultant complete study, and compare results to SJWD	June, July
<u>Policy on PERS Employer Pick up of Member Contribution (EPMC)</u>	
Personnel Committee discuss options based on results from competitive market comparison study	August
Board consider recommendations from committee	2 nd board meeting in August
<u>Policy on Cost Sharing of Other Benefits</u>	
Personnel Committee discuss options based on results from competitive market comparison study	September
Board consider recommendations from committee	2 nd board meeting in September
<u>Policy on Incentive Award Program</u>	
Personnel Committee discuss options	October
Board consider recommendations from committee	2 nd board meeting in October

San Juan Water District GM and General Counsel Evaluation Process

2011 process used to facilitate Board input and delivery of performance evaluations for SJWD General Manager (GM) and General Counsel (GC), and cash compensation review for GM.

#	Major Task	Primary Responsible	Targeted completion date
1	Forward self evaluation input to BOD and Consultant	GM and GC	12/13/2010
2	Meet with GM and GC for self evaluations.	Consultant	12/9/2010
3	Gain initial direction from personnel committee on base and incentive compensation budget.	Consultant	12/5/2010
4	Research benchmark salary data for GM position and review with Personnel Committee	Consultant	12/5-23/2011
5	Meet with each BOD member for input on GM and GC performance	Consultant	12/12-30/2011
6	Summarize info from individual BOD member mtgs. Send draft evaluations to BOD for review	Consultant	12/30/2011
7	Finalize and deliver evaluations and compensation recommendation BOD for BOD to present to GM and GC	Consultant	1/6/2011
8	Meet with BOD to review and discuss draft evaluations and GM compensation. Modify evaluations, if necessary. BOD to determine who will verbally deliver each section of evaluation to GM and GC	Consultant	1/11/2012
9	Present final evaluations to GM and GC in BOD mtg. GM compensation changes and bonus, if any, to be announced	BOD	1/11/2012

SJWD General Manager Performance Evaluation

For 2011 Board Evaluation

Performance Descriptors

Excellent	Performance is clearly outstanding; far exceeds standards or expectations on a continuous basis. Sets the standards as a leader in this area.
Very Good	Performance consistently meets standards or expectations; attains all or nearly all of key deliverables.
Good	Performance is acceptable, generally meeting standards or expectations; Seldom exceeds or falls short of desired results; is developing within the position.
Fair	Performance is inconsistent; seldom exceeds and often falls short of desired results. Performance has declined significantly, or employee has not sustained adequate improvement, as required, since the last performance review.
Poor	Fails to meet most expectations or standards; performance is consistently below accepted levels.
No Basis for Judgment	Rater has not observed this skill or activity.

Section I. Key Competencies for General Manager

Enhances Board Relationship demonstrated by the following:

- Maintains and initiates direct contact with each Board member to ensure through and clear communication.
- Shares information in a timely manner with Board.
- Receptive to Board members' ideas and suggestions.
- Makes timely responses to all Board requests.
- Engages Board in open, two-way communication.
- Actions encourage mutual honesty, respect and trust.
- Speaks openly to the Board with alternative thoughts and suggestions
- Keeps the confidence of the Board.

Executes Board Vision demonstrated by the following:

- Follows and executes Board policy and strategic plan in a timely manner.
- Demonstrates commitment to achieving the SJWD mission.
- Sets District objectives and priorities within a global framework.

SJWD General Manager Performance Evaluation

For 2011 Board Evaluation

- Implements plans consistently and meticulously with the long term interests of the District in focus.

Effective and Efficient Management of Organization demonstrated by the following:

- Accepts full accountability for staff.
- Identifies organizational problems and takes timely and remedial action.
- Acts with integrity in all matters.
- Selects and develops knowledgeable staff.
- Effectively uses and allocates human and capital resources.
- Delegates authority appropriately.
- Keeps confidence of employees.
- Builds teamwork to enhance morale and recognize contributions.
- Results driven.
- Carefully plans for change and communicates to staff to gain buy in.
- Understands and manages financial budget within approved parameters.
- Assures that staff provides independent and appropriate advice regardless of who asked.

Effective Communication Skills demonstrated by the following:

- Seeks information to gain complete picture.
- Listens well.
- Communicates District vision and sets standards to meet this throughout the organization.
- Communicates District mission and services to the public in a positive and professional manner.
- Open to change and new information.
- Develops networks and partners to build strategic relationships.
- Builds consensus.
- Exhibits collaborative approach in idea generation and problem solving.
- Fosters communication with wholesale customers.
- Fosters communication with retail customers.

SJWD General Manager Performance Evaluation

For 2011 Board Evaluation

Professional competencies demonstrated by the following:

- Understands and exhibits adherence to federal and state regulations to ensure District service level is above reproach.
- Manages representation of the District at federal and state legislative bodies, as well as industry associations to protect water rights and set reasonable standards.
- Maintains knowledge of current industry practices and future trends that may benefit or impact the District's operations.

Excellent Customer Service demonstrated by the following:

- Delivers timely, courteous and responsible service to internal and external customers.
- Anticipates and meets the needs of the District's ratepayers.
- Committed to continuous improvement.
- Demonstrates a commitment to serve the public's needs.

SJWD General Manager Performance Evaluation

For 2011 Board Evaluation

Section II. Achievement of 2010 performance objectives from the Board's annual workshop

Section III. Additional achievements

Section IV. Future Development needs for upcoming 12 months and long term

Section V. Overall comments

San Juan Water District General Manager Self Appraisal

Name: _____ Period covering: _____

Significant accomplishments completed in this review period: (May be attached)

Progress on Strategic Initiatives set out by the Board during the strategic planning workshop: (May be attached)

Strengths you believe you bring to the District:

Development needs you believe you should work on in the short or long term:

GM may rate performance* on each of the key competencies noted on the performance appraisal:

- Enhances Board Relationship
- Executes Board Vision
- Effective and Efficient Management of Organization
- Effective Communication Skills
- Professional Competencies
- Excellent Customer Service

*Rating scale is: poor, fair, good, very good, excellent

**San Juan Water District
General Counsel Performance Evaluation**

Performance Descriptors

Excellent	Performance is clearly outstanding; far exceeds standards or expectations on a continuous basis. Sets the standards as a leader in this area.
Very Good	Performance consistently meets or exceeds standards or expectations; attains all or nearly all of key deliverables.
Good	Performance is acceptable, generally meeting standards or expectations; Seldom exceeds or falls short of desired results; is developing within the position.
Fair	Performance is inconsistent; seldom exceeds and often falls short of desired results. Performance has declined significantly, or General Counsel has not sustained adequate improvement, as required.
Poor	Fails to meet most expectations or standards; performance is consistently below accepted levels.
No Basis for Judgment	Rater has not observed this skill or activity.

Board members¹ ratings indicate the General Counsel firm's demonstration of the five key competencies below using the descriptors above. The rating is for the overall category/competency. Additional examples to support the rating are noted.

Section I. Key Competencies for General Counsel

Substantive Expertise demonstrated by the following:

- Strong knowledge concerning water rights, local government, environmental and other areas of the law that affect the District.
- Provides technically sound, accurate and clear advice in a timely manner.
- Provides periodic updates of status/involvement/legal concerns on District related issues (e.g., Delta, upstream water rights).
- Proactively provides relevant information related to proposed legislation or new case law.
- Advises Board and District when specialized legal counsel is needed.

Overall rating for Substantive Expertise:	
Examples of specific behavior that support the rating:	
Specific behaviors, training, or experience recommended to improve this rating:	
<ul style="list-style-type: none"> • 	

**San Juan Water District
General Counsel Performance Evaluation**

Understands District's objectives and represents them demonstrated by the following:

- Understands District's policies, laws and issues that are important to the District.
- Develops constructive relationships with industry experts and associations.
- Assists Board and District staff in implementing Board policies.
- Protects District's water rights and contracts.
- Ensures Board meetings and processes proceed in a legal manner.

Overall rating for Understands District's Objectives and Represents Them:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

-

Responsiveness/Communications demonstrated by the following:

- Readily accessible.
- Provides clear advice.
- Provides options and risks for consideration in assessment of appropriate legal path.
- Provides timely advice on legal issues as requested by the Board and District staff.
- Keeps Board advised on status of work.
- Communicates clearly, both orally and in writing.
- Establishes and maintains effective and respectful working relationships with the Board, Board committees, and District staff.
- Acts with integrity.
- Offers objective answers, regardless of who is asking.

Overall rating for Responsiveness/Communications:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

-

**San Juan Water District
General Counsel Performance Evaluation**

Cost Considerations demonstrated by the following:

- Provides cost effective solutions.
- Weighs cost-risk ratio in advice.
- Provides timely warning on additional fees.
- Provides timely and accurate bills with reasonable detail. (*Board does not see the bills.*)
- Conforms work effort to Board guidelines and budget. (*no budget for legal*)

Overall rating for Cost Considerations:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

Results Delivered demonstrated by the following:

- Assists the Board and District staff in executing Board policy and strategic plan.
- Effectively advocates on behalf of the District interests in court, regulatory proceedings, before the Legislature, etc.
- Creative and proactive in assisting the District in addressing and resolving District issues.

Overall rating for Results Delivered:

Examples of specific behavior that support the rating:

Specific behaviors, training, or experience recommended to improve this rating:

**San Juan Water District
General Counsel Performance Evaluation**

Section II. Significant contributions by General Counsel

Section III. Overall comments and rating for 2010 performance

AGENDA ITEM V-2

DRAFT

Engineering Committee Meeting Minutes San Juan Water District March 15, 2011 3:00 p.m.

Committee Members: Dave Peterson, Chair
Pam Tobin, Director

District Staff: Keith Durkin, Assistant General Manager
Rob Watson, Engineering Services Manager
Teri Hart, Administrative Assistant/Board Secretary

Members of the Public: Sharon Wilcox, Orange Vale Water Company
John Wingerter, Orange Vale Water Company

Topics: SCADA Project
FO40 Rehabilitation Project

- ARC Crossing Design RFP
- FOWD Compromise Solution for Cost Allocations
- FO40 Project Schedule

Retail Service Area 10-Year Capital Improvement Program
Residential Fire Sprinkler Standard Update
Other Engineering Matters

- Committee Structure
- Next Meeting Date

Public Comment

1. SCADA Project

Mr. Durkin informed the committee that the Supervisory Control and Data Acquisition (SCADA) project is being advertised for bids this week. The budget for the project is \$800,000; however, the current engineer's estimate for the construction phase of the project is approximately \$1.2 million. This will bring the total project costs to approximately \$1.5 million. The additional costs are due to the existing system software and programming being obsolete and not salvageable. Mr. Durkin explained that the existing software package is no longer supported and the District's IT Administrator deserves recognition for keeping the existing system running by purchasing used parts and performing customized programming.

For information only; no action requested.

2. FO40 Rehabilitation Project

- ARC Crossing Design RFP

Mr. Durkin informed the committee that the Request for Proposal (RFP) for the design of the ARC Crossing has been issued. The anticipated date to go before the Board for approval of the design contract is at the second meeting in April.

- FOWD Compromise Solution for Cost Allocations

Mr. Durkin informed the committee that Mr. Watson and Mr. Nisenboym are scheduled to meet on March 16th to review the FOWD “compromise solution” proposal and complete the cost allocation analysis tables, as agreed upon at the last committee meeting. However, Mr. Durkin reported that the FOWD Directors did not approve the MOU for the project at their Board meeting on March 14th. The FOWD Board and staff indicated that the MOU would not likely be approved in the future, not would any agreement that included a significant project cost share for FOWD.

The committee discussed the issue and agreed staff should cancel the meeting scheduled for March 16th. The committee did direct Mr. Watson to meet with Mr. Nisenboym to review each District’s meter data and share calibration and installation information. The committee agreed that Mr. Durkin should prepare an Engineer’s report that analyzes the cost allocation based on planning and design guides, AWWA standards, California Water Works Standards, and other available resources. The 1998 CTP agreement should also be used as a template for the FO40 Project. The report should address FOWD’s proposal which was submitted at the last committee meeting.

The committee agreed that the project should continue as scheduled considering the District’s responsibility to maintain the pipeline and liability issues if there is a pipeline failure. Orange Vale Water Company was in agreement with proceeding with the project without a MOU. The committee also agreed that the District’s cost allocation policy should be in effect prior to billing for the project. The committee recommends that the project be referred to the Legal Affairs Committee for review to determine how to proceed under the District’s wholesale water supply agreement with FOWD.

For information only; no action requested.

- FO40 Project Schedule

The committee reviewed the proposed project schedule for the various phases of work and agreed the project should proceed as planned.

Mr. Durkin informed the committee that CDM completed the environmental work on the ARC Crossing and provided their determination that the project is categorically exempt from CEQA requirements. Their work identified the permits that will be required for the project. A Section 404 Permit and 401 Water Quality Certification will not be required from the Corps because the work area is not classified as a wetlands area. Staff will prepare the Notice of Exemption for Board approval.

Mr. Durkin informed the committee that work has not been started on the Cathodic Protection System for the exterior of the pipeline. He stated that an RFP for design services should be issued for this portion of the project. The committee recommended that the RFP for the Cathodic Protection System be prepared and distributed.

For information only; no action requested.

3. Retail Service Area 10-Year Capital Improvement Program

Mr. Durkin provided a spreadsheet to the committee which outlined the retail service area 10-year Capital Improvement Program. A copy of the spreadsheet will be attached to the meeting minutes. Mr. Durkin explained that the information in the spreadsheet will be incorporated into the Retail Financial Plan that is currently being updated by Bob Reed.

Mr. Durkin explained that the last two columns titled "Existing" and "Future" relate to connection fees and the percentage of project costs that can be paid by the connection fee reserves. Director Peterson requested that an addition note be added to reference that cost estimates are based on the 20 Cities ENR construction cost index.

For information only; no action requested.

4. Residential Fire Sprinkler Standard Update

Mr. Watson informed the committee that effective January 1, 2011, all new residential construction is required to have fire sprinkler systems installed. This creates a potential problem of stagnant water being pulled back into the water distribution system if the sprinkler system does not have a means to prevent backflow. This could affect water quality. The District does not have jurisdiction to building permit requirements or inspection. Another complication is that there are four fire departments which potentially have four different requirements for the District – the District is working with the fire departments in an effort to standardize their requirements. District staff recommends that we require the District's standard connection detail for all new construction with sprinkler systems that includes a backflow prevention device near the meter. This standard used to apply only to homes larger than 3,650 square feet.

Mr. Durkin explained that there are some potential issues for the District such as:

- Service line to the residence might need to be larger in some cases, due to higher demand of the sprinkler system
- Backflow prevention unit is above ground and might raise complaints regarding aesthetics
- Potential damage to backflow unit from traffic or vandals
- Backflow devices require annual testing and certification – potential staffing issue

Director Peterson suggested that this information be provided to the other agencies and the RWA and SGA.

For information only; no action requested.

5. Other Engineering Matters

5.1 Committee Structure

The committee discussed the committee structure and agreed that Mr. Durkin is the support staff and ex-officio member of the committee, Ms. Hart is the secretary. In addition, Mr. Watson and other staff will attend the meeting for support when needed.

For information only; no action requested.

5.2 Next Meeting Date

The committee set the next meeting date to April 19, 2011 at 3:00 pm.

For information only; no action requested.

6. Public Comment

There was no public comment.

The meeting was adjourned at 4:46 p.m.

**SAN JUAN WATER DISTRICT
TEN-YEAR RETAIL CAPITAL IMPROVEMENT PROGRAM - SUMMARY TABLE**

DRAFT - Rev 03/03/11

Line	Project Name	Total Cost ¹	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	Existing	Future
1	RSA-Wide Capital Improvement Program													
2	Information Signboard w/Changeable Display (PI)	\$ 10,000	\$ 5,000					\$ 5,000					100%	0%
3	District Fiber Optic Upgrade (RSA Share)	\$ 8,100	\$ 8,100										100%	0%
4	GIS Update	\$ 30,000	\$ 30,000										100%	0%
5	Administration Office Rewire (RSA Share)	\$ 3,275	\$ 3,275										100%	0%
6	Administration Building Roof Replacement (RSA Share)	\$ 21,120	\$ 21,120										100%	0%
7	Office Equipment & Furniture Replacements	\$ 27,000		\$ 16,000	\$ -	\$ 11,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100%	0%
8	Vehicle Replacements and Reserve	\$ 943,300	\$ 162,300	\$ 91,000	\$ 50,000	\$ 50,000	\$ 60,000	\$ 207,000	\$ -	\$ 56,000	\$ 116,000	\$ 151,000	100%	0%
9	Safety trailer (Night Work; SWPPP Response)	\$ 30,000	\$ 15,000									\$ 15,000	100%	0%
10	Touch Read Wands (2 @ \$7K/EA; for Meter Reader)	\$ 14,000		\$ 14,000									100%	0%
11	Commercial Meter Improvements	\$ 400,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	100%	0%
12	Residential Meter Replacements	\$ 750,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	100%	0%
13	Miscellaneous Equipment (Small Tools & Equip, > \$1K)	\$ -												-
14	SCADA System Improvements (RSA Share)	\$ 300,000	\$ 150,000	\$ 150,000									100%	0%
15	Annual Small Distribution System Improvement Projects	\$ 1,100,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	100%	0%
16	Storage Building (RSA share of replacement)	\$ 200,000		\$ 200,000									100%	0%
17	Distribution Mainline Replacements													
18	Bacon Hydrant Installation	\$ 20,000	\$ 20,000										100%	0%
19	Vane Court Main Replacement	\$ 120,000	\$ 120,000										100%	0%
20	Cherry Avenue Services Replm'ts (9202-9262)	\$ 55,000	\$ 55,000										100%	0%
21	Keats Circle Services Replacements	\$ 95,000	\$ 95,000										100%	0%
22	Golden Gate Services Replacements (Steel)	\$ 180,000	\$ 180,000										100%	0%
23	Kezar Street Services Replacements	\$ 45,000	\$ 45,000										100%	0%
24	Stevens Ave. (All; Main & Services Replacements; Steel)	\$ 400,000	\$ 400,000										100%	0%
25	Auburn Folsom Road 8" (Country Ct to Eureka; w/ AFR-N)	\$ 253,000		\$ 253,000									0%	100%
26	Erwin Avenue (Entire Alignment; Steel)	\$ 160,000		\$ 160,000									100%	0%
27	Lou Place 8" AFR to Troy Way	\$ 95,000		\$ 95,000									100%	0%
28	Peerless Ave 12" - North Main Replacement	\$ 230,000		\$ 230,000									50%	50%
29	Sierra College & Douglas 12" (Intersection Xing; Steel)	\$ 150,000		\$ 150,000									100%	0%
30	Telegraph Ave Re-connect (7616-7626, Creek Xing)	\$ 65,000			\$ 65,000								100%	0%
31	Oak Ave & Cardwell 12" Main (Santa Juanita to Cardwell)	\$ 300,000			\$ 300,000								84%	16%
32	Oak Avenue 12" Main (9151-9219, Casa Robles H.S.)	\$ 270,000			\$ 270,000								100%	0%
33	Douglas Blvd. (Joe Rodgers to Luth. Church; Steel)	\$ 120,000			\$ 120,000								100%	0%
34	Dambacher Dr (7225-7355)	\$ 150,000				\$ 150,000							100%	0%
35	Douglas Blvd. (6990 to 7767; Steel) and assoc. small mains	\$ 1,150,000				\$ 1,150,000							100%	0%
36	Main Avenue (5700-5708 & 5640-5682)	\$ 300,000				\$ 300,000							100%	0%
37	Lou Place 8" Troy Way to Crown Point Vista	\$ 100,000					\$ 100,000						100%	0%
38	Telegraph Ave. (7406 to 7453; Steel)	\$ 135,000					\$ 135,000						100%	0%
39	Cavitt Stallman 12" (Oak Pines to Sierra Ponds)	\$ 465,000					\$ 465,000						0%	100%
40	Cavitt Stallman 12" (Mystery Creek to Oak Pines, w/ PRS)	\$ 290,000						\$ 290,000					0%	100%
41	Edward Court 8" (South of Lou Place)	\$ 80,000						\$ 80,000					100%	0%
42	Peerless Ave 8" - South Main Replac'mt	\$ 225,000							\$ 225,000				84%	16%
43	Excelsior 12" Main Extension	\$ 250,000							\$ 250,000				0%	100%
44	Skyway Ln to Mooney Ridge 8"	\$ 95,000								\$ 95,000			100%	0%
45	Oak Hill to Barton 8" (CP/Bacon Zone Intertie w/ CV)	\$ 60,000								\$ 60,000			100%	0%
46	Transmission Pipelines													
47	AFR - North Phase 24" T-main	\$ 800,000		\$ 800,000									83%	17%
48	AFR - Middle Phase 24" T-main	\$ 400,000	\$ 400,000										83%	17%

Line	Project Name	Total Cost ¹	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	Existing	Future
49	AFR - GB BPS Onsite 24" T-main (Reimburse SJWD Whsl)	\$ 331,000	\$ 331,000										83%	17%
50	Sierra College Blvd. to Stoneridge 24" T-main	\$ -										-	82%	18%
51	Gravity Zone CTP to Sierra Zone 30" Intertie	\$ 500,000			\$ 500,000								82%	18%
52	Twin Rocks Road 18" (Vogal Valley to Sierra Ponds)	\$ 1,970,000					\$ 1,970,000						0%	100%
53	Barton Rd 18" T-main (2710-LF; Eureka to Douglas)	\$ 750,000							\$ 750,000				83%	17%
54	Eureka Rd. 18" T-main (3925-LF, Barton to Aub-Fols; Steel)	\$ 1,336,000			\$ 134,000	\$ 1,202,000							83%	17%
55	FO40 - 40" T-main rehab (10% of project cost)	\$ 422,500	\$ 77,500	\$ 294,000	\$ 51,000								84%	16%
56	Wholesale meters - RSA cost share	\$ 2,700,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 250,000			84%	16%
57	Storage Tanks													
58	2.6 MG Stoneridge (Joint Storage Facility) Needs Analysis	\$ 50,000						\$ 50,000					84%	16%
59	2.6 MG Stoneridge (Joint Water Storage Facility)	\$ -										-	-	-
60	3.0 MG Kokila Reservoir Condition Assessment/Evaluation	\$ 150,000						\$ 150,000					84%	16%
60	3.0 MG Kokila Reservoir (Replace Hypalon w/ Steel)	\$ 4,051,000										\$ 4,051,000	-	-
61	Los Lagos Tank Recoating (Interior & Exterior)	\$ 300,000				\$ 300,000							100%	0%
62	Mooney Ridge Hydro-Tank Recoating (Inside & Outside)	\$ 60,000						\$ 60,000					100%	0%
63	Pressure Reducing Stations													
64	Oak Ave ARC North/South PRS	\$ 180,000		\$ 180,000									100%	0%
65	Eureka & AFR - LGB BPS PRS (w/ AFR-North Ph)	\$ 225,000		\$ 225,000									84%	16%
66	Bacon/Sierra PRS Improvements	\$ 300,000			\$ 300,000								84%	16%
63	Pump Stations													
64	4.96 MGD Upper Granite Bay Pump Station (rehab)	\$ 1,328,000		\$ 150,000	\$ 1,178,000								55%	45%
65	10.1 MGD Lower Granite Bay Pump Station (at Hinkle)	\$ 2,872,000		\$ 250,000	\$ 2,622,000								0%	100%
Capital Improvement Program Totals ¹		\$ 28,420,295	\$ 2,693,295	\$ 3,940,000	\$ 6,215,000	\$ 3,799,000	\$ 3,365,000	\$ 1,624,000	\$ 1,800,000	\$ 742,000	\$ 457,000	\$ 4,593,000		

Notes:

1. All estimated costs are shown in 2010 dollars (no escalation factor or future worth analysis applied. Future value dollars will be analyzed and shown in the pending Financial Plan).

2

3

STAFF REPORT

To: Board of Directors
 From: Mary Morris, Finance and Administrative Services Manager
 Date: March 23, 2011
 Subject: Fiscal Year 2011-2012 Budget Update

Background

The annual budget process officially began on January 26, 2011 with presentation and concurrence of the *Fiscal Year 2011-2012 Budget* assumptions. While the supported assumptions serve as the policy direction for staff in the budget preparation, they will be re-evaluated during the budget process and updated as warranted with acceptance by the Board of Directors.

In late 2010, the District completed the Wholesale Water Rate Study and Financial Plan which included a projected increase of 5% in order to meet operations, maintenance, capital and reserve funding needs. The District is nearing completion of the Retail Water Rate Study and Financial Plan. The budget schedule as presented to the Board of Directors on November 10, 2010 has been updated as follows:

Date	Activity
January 26, 2011	Budget Assumptions Retail Rate Study (through February)
February 23, 2011	Projections
March 23, 2011	Draft Wholesale Budget
April 13, 2011	Draft Retail Budget
May 11 April 27, 2011	Wholesale Budget and Rate Increase Public Hearing
May 25, 2011	Consider Adoption of the Wholesale Budget and Rates Retail Budget and Rate Increase Public Hearing
June 8, 2011	Consider Adoption of the Retail Budget and Rates

Current Status

Staff has continued to develop draft Wholesale and Retail Budgets with review of these scheduled for a Special Finance Committee Meeting on March 21, 2011.

Wholesale Budget

As part of developing the *Draft Fiscal Year 2011-2012 Wholesale Budget*, staff evaluates current budget versus actual revenues and expenses along with the updated ten year capital improvement program. Given these factors combined with offsetting revenue received from Sacramento Suburban Water District for treatment of water, staff feels confident the District can maintain current rates for the *Fiscal Year 2011-2012 Wholesale Budget* (i.e. 0% rate increase).

Staff will discuss this with the Finance Committee on March 21, 2011. Maintaining current Wholesale rates with no rate increase on January 1, 2012 will still allow the District to maintain service levels in operations and maintenance, cover debt service, complete planned capital improvements and fund reserves. The impact to future years has also been carefully evaluated to ensure that this does not have a detrimental impact to long-term planning.

Retail Budget

Staff is currently working with the Reed Group, Inc. on the Retail Water Rate Study and Financial Plan. During the process, staff thoroughly and carefully evaluated current financial performance of budget versus actual revenues and expenses, as well as the updated ten year capital improvement program needs. Given those factors combined with the continued economic challenges faced throughout the state, staff feels confident the District can maintain current rates for the *Fiscal Year 2011-2012 Retail Budget* (i.e. 0% rate increase).

As part of the Special Finance Committee meeting on March 21, 2011, the Retail Water Rate Study and Financial Plan will be discussed. This will include maintaining current Retail rates with no rate increase on January 1, 2012 while still allowing the District to maintain service levels in operations and maintenance, cover debt service, complete planned capital improvements and fund reserves. The plan has incorporated the impact of holding rates to reflect this in the long-term.

Should circumstances change dramatically in the future relative to legislation, regulatory requirements, reduction of property taxes or other potentially significant impacts, further discussion would be required as that information becomes known. At the current time, there are no indications that those types of impacts need to be evaluated.

Budget Impact

The *Draft Fiscal Year 2011-2012 Wholesale and Retail Budgets* will provide adequate funding of operations, non-operating, capital improvement program and reserves.

Staff Recommendation

For information only—no action is required at this time.